

HEADWATERS FOREST ACT

14. Ag 8/1:103-42

HEARING
 BEFORE THE
 SUBCOMMITTEE ON SPECIALTY CROPS
 AND NATURAL RESOURCES
 OF THE
 COMMITTEE ON AGRICULTURE
 HOUSE OF REPRESENTATIVES
 ONE HUNDRED THIRD CONGRESS

FIRST SESSION

ON

H.R. 2866

OCTOBER 13, 1993

Serial No. 103-42



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HEADWATERS FOREST ACT

WEDNESDAY, OCTOBER 13, 1993

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON SPECIALTY CROPS
AND NATURAL RESOURCES,
COMMITTEE ON AGRICULTURE,
Washington, DC.

The subcommittee met, pursuant to call, at 10:25 a.m., in room 1302, Longworth House Office Building, Hon. Charlie Rose (chairman of the subcommittee) presiding.

Present: Representatives Baesler, Bishop, Condit, Minge, Pomeroy, English, Farr, Volkmer, Doolittle, Kingston, Goodlatte, and Pombo.

Also present: Representative Dooley, member of the committee, and Representative Hamburg.

Staff present: Jan Rovecamp, clerk; Keith Pitts, Alexandra Buell, James A. Davis, and Stacy Carey.

Mr. BAESLER [assuming chair]. The subcommittee will come to order. If we can, we will get started. The chairman is on his way, so we will start in anticipation of his arrival.

This morning to consider H.R. 2866, the Headwaters Forest Act, the Subcommittee on Specialty Crops and Natural Resources has, Congressman Pete Stark and Congressman Dan Hamburg, the current chief sponsors of H.R. 2866 and the newly represented district blessed with the redwood.

I will turn it over to Congressman Hamburg.

[H.R. 2866 follows:]

103D CONGRESS
1ST SESSION

H. R. 2866

To provide for the sound management and protection of Redwood forest areas in Humboldt County, California, by adding certain lands and waters to the Six Rivers National Forest and by including a portion of such lands in the national wilderness preservation system

IN THE HOUSE OF REPRESENTATIVES

AUGUST 4, 1993

Mr. HAMBURG (for himself, Mr. STARK, Mr. STUDDS, Mr. GEPHARDT, Mr. MILLER of California, Mr. WAXMAN, Mr. DEFazio, Ms. WOOLSEY, Mrs. SCHROEDER, Mr. MATSUI, Mr. MINETA, Mr. BRYANT, Mr. VENTO, Mr. RAVENEL, Mr. ABERCROMBIE, Mr. RICHARDSON, Mr. SMITH of Iowa, Ms. FURSE, Mr. EDWARDS of California, Mr. SABO, Mr. BROWN of Ohio, Mr. POSHARD, Miss COLLINS of Michigan, Mr. ACKERMAN, Mr. DELUMS, Mr. ANDREWS of Maine, Mr. OLVER, Ms. MOLINARI, Mr. MARKEY, Mr. BARRETT of Wisconsin, Mr. BEILENSON, Mr. BERMAN, Mr. BISHOP, Mrs. MINK, Mr. BLACKWELL, Mr. SERRANO, Mr. BONIOR, Mr. WASHINGTON, Mr. BROWN of California, Mr. JACOBS, Mr. COLEMAN, Mr. MFUME, Ms. WATERS, Mr. WATT, Mr. TORRES, Mrs. CLAYTON, Mr. RAHALL, Mr. CLYBURN, Mr. DIXON, Mrs. COLLINS of Illinois, Mr. KOPETSKI, Mr. LANCASTER, Mr. ENGEL, Ms. SHEPHERD, Mr. UNDERWOOD, Ms. ESHOO, Mr. INSLEE, Mr. POMEROY, Ms. ROYBAL-ALLARD, Mr. JOHNSON of South Dakota, Mr. EVANS, Mr. LIPINSKI, Mr. FALEOMAVAEGA, Mr. MORAN, Mr. OWENS, Mr. PASTOR, Mr. FARR of California, Mr. FILNER, Mr. HINCHEY, Mr. SCHUMER, Mr. FRANK of Massachusetts, Mr. LANTOS, Mr. MARTINEZ, Mr. MCHALE, Mrs. MEEK, Ms. PELOSI, Mrs. UNSOELD, Ms. VELÁZQUEZ, Mr. ROMERO-BARCELÓ, Mr. SANDERS, and Mr. SHARP) introduced the following bill; which was referred jointly to the Committees on Natural Resources and Agriculture

A BILL

To provide for the sound management and protection of Redwood forest areas in Humboldt County, California,

by adding certain lands and waters to the Six Rivers National Forest and by including a portion of such lands in the national wilderness preservation system

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Headwaters Forest
5 Act”.

6 **SEC. 2. FINDINGS AND PURPOSE.**

7 (a) FINDINGS.—The Congress finds that:

8 (1) Redwoods are a significant national symbol
9 and a defining symbol of the State of California.

10 (2) Old growth redwood trees are a unique and
11 irreplaceable natural resource.

12 (3) Most of the Nation’s old growth forests
13 have been cut. Less than 5 percent of the original
14 2,000,000 acre Coast redwoods remain standing.
15 The groves that are left are crucial to maintain habi-
16 tat needed for survival of old-growth dependent spe-
17 cies. The Headwaters Forest, for example, is home
18 to one of California’s three largest population of
19 marbled murrelets, rare sea birds that nest only in
20 coastal old growth trees; the Northern Spotted Owl;
21 and native salmon stocks that spawn in the Forest’s
22 creeks.

(4) The remaining unprotected stands of old growth forests and old growth redwoods are under immediate threat of being harvested without regard to their ecological importance and without following Federal timber harvest guidelines.

(5) Significant amounts of old growth redwoods in the proposed National Forest additions are being cut at a pace that is based on paying high interest rates on poor quality bonds and not at a pace that is based on sound forest management practices.

(b) PURPOSE.—The purpose of this Act is to provide for the sound management and protection of old growth Redwood forest areas in Humboldt County, California, and to preserve and enhance habitat for the marbled murrelet, Northern Spotted owl, native salmon stocks, and other old growth forest dependent species, by adding certain lands and waters to the Six Rivers National Forest and by including a portion of such lands in the national wilderness preservation system.

SEC. 3. ADDITION TO SIX RIVERS NATIONAL FOREST.

(a) EXTENSION OF BOUNDARIES.—The exterior boundaries of the Six Rivers National Forest in the State of California are hereby extended to include the area comprising approximately 44,000 acres, as generally depicted on the map entitled "Six Rivers National Forest Addition

1 proposed", dated June 1993. Such area shall hereinafter
2 in this Act be referred to as the Six Rivers National Forest
3 Addition. The map shall be on file and available for public
4 inspection in the offices of the Forest Supervisor, Six Riv-
5 ers National Forest, and in the offices of the Chief of the
6 Forest Service, Department of Agriculture.

7 (b) ACQUISITION OF LAND.—(1) The Secretary shall
8 acquire lands or interests in land within the exterior
9 boundaries of the Six Rivers National Forest Addition by
10 donation, by purchase with donated or appropriated funds,
11 or by exchange for other lands owned by any department,
12 agency, or instrumentality of the United States. When any
13 tract of land is only partly within such boundaries, the
14 Secretary may acquire all or any portion of the land out-
15 side of such boundaries in order to minimize the payment
16 of severance costs. Land so acquired outside of the bound-
17 aries may be exchanged by the Secretary for non-Federal
18 lands within the boundaries, and any land so acquired and
19 not utilized for exchange shall be reported to the General
20 Services Administration for disposal under the Federal
21 Property and Administrative Services Act of 1949 (63
22 Stat. 377). Lands, and interests in lands, within the
23 boundaries of the Headwaters Forest which are owned by
24 the State of California or any political subdivision thereof,
25 may be acquired only by donation or exchange.

1 (2) The Secretary is authorized to accept from the
2 State of California funds to cover the cost of acquiring
3 lands within the Headwaters Forest, and notwithstanding
4 any other provision of law, the Secretary may retain and
5 expend such funds for purposes of such acquisition. Such
6 funds shall be available for such purposes without further
7 appropriation and without fiscal year limitation.

8 (c) LAND ACQUISITION PLAN.—The Secretary shall
9 develop and implement, within 6 months after the enact-
10 ment of this Act, a land acquisition plan which contains
11 specific provisions addressing how and when lands will be
12 acquired under subsection (b). The plan shall give priority
13 first to the acquisition of lands within the boundaries of
14 the Headwaters Forest Wilderness identified on the map
15 referred to in section 3(a). The Secretary shall submit cop-
16 ies of such plan to the Committee on Natural Resources,
17 the Committee on Agriculture, and the Committee on Ap-
18 propriations of the United States House of Representa-
19 tives and to the Committee on Energy and Commerce, the
20 Committee on Agriculture, Nutrition, and Forestry and
21 the Committee on Appropriations of the United States
22 Senate.

23 (d) AUTHORIZATION OF APPROPRIATIONS.—There
24 are hereby authorized to be appropriated such sums as
25 may be necessary to carry out the purposes of this Act.

1 **SEC. 4. WILDERNESS AREAS.**

2 (a) DESIGNATION.—In furtherance of the purposes of
3 the Wilderness Act (16 U.S.C. 1131–1136), lands in the
4 State of California acquired under section 3 of this Act
5 which are within the areas generally depicted on the map
6 referred to in section 3 as the “Headwaters Forest Wilder-
7 ness (Proposed)” shall be designated as wilderness and
8 therefore as a component of the National Wilderness Pres-
9 ervation System, effective upon acquisition under section
10 3. Such lands shall be known as the Headwaters Forest
11 Wilderness.

12 (b) MAP AND DESCRIPTION.—As soon as practicable
13 after the inclusion of any lands in the Headwaters Forest
14 Wilderness, the Secretary shall file a map and a boundary
15 description of the area so included with the Committee on
16 Natural Resources of the House of Representatives and
17 with the Committee on Energy and Natural Resources of
18 the United States Senate. The Secretary may correct cler-
19 cal and typographical errors in such boundary description
20 and such map. Each such map and boundary description
21 shall be on file and available for public inspection in the
22 Office of the Chief of the Forest Service, United States
23 Department of Agriculture.

24 (c) BUFFER ZONES NOT INTENDED.—The Congress
25 does not intend that designation of any area as wilderness
26 under this section lead to the creation of protective perim-

1 eters or buffer zones around the wilderness area. The fact
2 that nonwilderness activities or uses can be seen or heard
3 from areas within a wilderness shall not, of itself, preclude
4 such activities or uses up to the boundary of the wilder-
5 ness area.

6 (d) STATE AUTHORITY OVER FISH AND WILDLIFE.—

7 As provided in section 4(d)(8) of the Wilderness Act, noth-
8 ing in this Act shall be construed as affecting the jurisdic-
9 tion or responsibilities of the State of California with re-
10 spect to wildlife and fish in any areas designated by this
11 Act as wilderness.

12 **SEC. 5. ADMINISTRATION.**

13 (a) MANAGEMENT PLAN.—The Secretary shall de-
14 velop, within 1 year after the enactment of this Act, a
15 comprehensive management plan detailing measures for
16 the preservation of the existing old growth redwood
17 ecosystems in the Six Rivers National Forest Addition, in-
18 cluding but not limited to each of the following:

19 (1) Prohibition of sale of timber from lands
20 within the old growth redwood groves as depicted
21 generally on the map referred to in section 3(a).
22 Timber sales in other areas shall be allowed consist-
23 ent with the purposes of this Act and other applica-
24 ble Federal laws and regulations.

1 (2) Measures to restore lands affected by pre-
2 vious timber harvests to mitigate watershed degrada-
3 tion and impairment of habitat for the marbled
4 murrelet, spotted owl, native salmon stocks, and
5 other old-growth forest dependent species (“Restora-
6 tion Measures”).

7 The Management Plan shall be reviewed and revised every
8 time the Six Rivers National Forest Land and Resource
9 Management plan is revised or more frequently as nec-
10 essary to meet the purposes of this Act.

11 (b) APPLICABLE LAWS AND POLICIES.—(1) The Sec-
12 retary, acting through the Chief of the Forest Service,
13 shall administer the lands acquired under section 3(b) in
14 accordance with the Management Plan, this Act, and with
15 the other laws, rules, and regulations applicable to such
16 national forest. In addition, subject to valid existing
17 rights, any lands acquired and designated as wilderness
18 under section 4(a) shall also be administered in accord-
19 ance with the provisions of the Wilderness Act governing
20 areas designated by that Act as wilderness, except that
21 any reference in such provisions to the effective date of
22 the Wilderness Act (or any similar reference) shall be
23 deemed to be a reference to the date of acquisition of such
24 lands under section 3 of this Act.

1 (2) To the maximum extent practicable, all work to
2 implement the management plan's Restoration Measures
3 shall be performed by unemployed forest and timber work-
4 ers, unemployed commercial fishermen, or other unem-
5 ployed persons whose livelihood depends on fishery and
6 timber resources.

7 (3) In order to facilitate management, the Secretary,
8 acting through the Chief of the Forest Service may enter
9 into agreements with the State of California for the man-
10 agement of lands owned by the State or purchased with
11 State assistance.

12 **SEC. 6. PAYMENTS TO LOCAL GOVERNMENT.**

13 (a) **PILT.**—Solely for purposes of payments made
14 pursuant to chapter 69 of title 31 of the United States
15 Code, all lands added to the Six Rivers National Forest
16 by this Act shall be deemed to have been acquired for the
17 purposes specified in section 6904(a) of such title 31.

18 (b) **10-YEAR PAYMENT.**—(1) Subject to annual ap-
19 propriations and the provisions of subsection (c), for a pe-
20 riod of 10 years after acquisition by the United States of
21 lands added to the Six Rivers National Forest by this Act,
22 the Secretary, with respect to such acquired lands, shall
23 make annual payments to Humboldt County in the State
24 of California in an amount equal to the State of California
25 Timber Yield Tax revenues payable under the California

1 Revenue and Taxation Code (sec. 38101 et seq.) in effect
2 as of the date of enactment of this Act that would have
3 been paid with respect to such lands if the lands had not
4 been acquired by the United States, as determined by the
5 Secretary pursuant to this subsection.

6 (2) The Secretary shall determine the amounts to be
7 paid pursuant to paragraph (1) of this subsection based
8 on an assessment of a variety of factors including, but not
9 limited to—

10 (A) timber actually sold in the subject year
11 from comparable commercial forest lands of similar
12 soil type, slope and such determination of appro-
13 priate timber harvest levels,

14 (B) comparable timber size class, age, and qual-
15 ity,

16 (C) market conditions,

17 (D) all applicable Federal, State, and local laws
18 and regulations, and

19 (E) the goal of sustainable, even-flow harvest or
20 renewable timber resources.

21 (c) CALIFORNIA TIMBER YIELD TAX.—The amount
22 of State of California Timber Yield Tax payments paid
23 to Humboldt County in any year pursuant to the laws of
24 California for timber sold from lands acquired under this

1 Act shall be deducted from the sums to be paid to Hum-
2 boldt County in that year under subsection (b).

3 (d) 25-PERCENT FUND.—Amounts paid under sub-
4 section (b) with respect to any land in any year shall be
5 reduced by any amounts paid under the Act of May 23,
6 1908 (16 U.S.C. 500) which are attributable to sales from
7 the same lands in that year.

8 **SEC. 7. FOREST STUDY.**

9 The Secretary shall study the lands within the area
10 comprising approximately 13,620 acres and generally de-
11 picted as “Study Area” on the map referred to in section
12 3(a). The study shall analyze the area’s potential to be
13 added to the Headwaters Forest and shall identify the nat-
14 ural resources of the area including the location of old
15 growth forests, old growth redwood stands, threatened and
16 endangered species habitat and populations including the
17 northern spotted owl and marbled murrelet, commercial
18 timber volume, recreational opportunities, wildlife and
19 fish, watershed management, and the cost of acquiring the
20 land. Within one year of the date of enactment of this
21 Act, the Secretary shall submit a report with the findings
22 of the study to the Committees on Natural Resources, and
23 Agriculture of the United States House of Representatives
24 and the Committees on Energy and Natural Resources,

1 and Agriculture, Nutrition, and Forestry of the United
2 States Senate.

STATEMENT OF HON. DAN HAMBURG, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF CALIFORNIA

Mr. HAMBURG. Thank you, Mr. Chairman, for convening this hearing this morning on the Headwaters Forest Act. I want to thank my colleague and coauthor, Congressman Pete Stark, for his work on this bill and on this issue for the past several years.

I am pleased to address you today about this bill, which is now cosponsored by 90 Members of the House and is endorsed by the Sierra Club, the Wilderness Society, the Audubon Society, Greenpeace, the Western Ancient Forest Campaign, the National Wildlife Federation and others.

Few issues have galvanized the people of California's north coast more than the protection of the Headwaters Forest. Indeed, this forest has become a focal point statewide and even nationwide among those who believe that the last remnants of the ancient redwood forests should be protected and preserved.

Of the original 2 million acres of these trees on the Pacific coast, only about 80,000 acres remain today. The Headwaters Forest Act authorizes the Secretary of Agriculture to initiate negotiation which over time will result in the transfer of approximately 44,000 acres of redwood forest in Humboldt County from private to public ownership.

Eighty-eight percent of the land will be managed for multiple-use including timbering operations. The groves of old growth, just over 5,000 acres, will be placed off limits for any logging operations. This is the largest remaining unprotected virgin redwood forest in the world. Standing 300 feet high in these groves are some of the most magnificent life forms in creation: Giant redwoods, many over 1,000 years old, which anchor a now rare and fragile ecosystem.

Use of bulldozers to harvest old-growth trees make the old-growth topsoils particularly vulnerable to erosion. Erosion threatens the streams that begin and run through these forests. Located in highly erosive geologic formations, any additional sedimentation threatens the spawning ground of the anadromous fish that return to these waters.

I want to offer today for the record testimony from Dr. Peter Moyle who is a professor of fisheries at the University of California at Davis and the leading expert on coho salmon in California.

[The prepared statement of Mr. Moyle appears at the conclusion of the hearing.]

Mr. HAMBURG. Dr. Moyle estimates that 5 to 10 percent of the remaining wild coho salmon left in California spawn in watersheds which will be protected by this act and characterizes one population as exceptional by today's standards.

The importance of his findings in light of the imminent petition for listing of the coho in California cannot be overemphasized. I would also like to draw attention to the declaration by Dr. Moyle that his knowledge of coho in the Yager Creek drainage is limited because the Pacific Lumber Company denied him access for data collection.

The Headwaters Forest Act calls for three of the most important steps necessary to arrest the collapse of coho and rebuild their stocks: Low impact logging; preservation of old-growth groves; and protection of headwaters areas to preserve downstream habitat.

These old-growth groves are critically important for a number of terrestrial species as well. In addition to providing protecting habitat for the well-known spotted owl and the endangered bald eagle and peregrine falcon, these forests are one of the three primary nesting sights in the State of California for the marbled murrelet.

Listed as threatened in 1992, the marbled murrelet population in California is now estimated at 2,000. This is an estimated 90 to 95 percent decline in their historic populations in California and this decline is thought to be directly related to loss of old-growth forest habitat.

I would also like to offer the written testimony of research, wildlife biologist Kim Nelson of Oregon State University and chair of the marbled murrelet technical committee of the Pacific Seabird Group.

[The prepared statement of Ms. Nelson appears at the conclusion of the hearing.]

Mr. HAMBURG. Ms. Nelson concludes in her testimony: "The acquisition and preservation of the Headwaters Forest is key to the survival and recovery of the marbled murrelet in California."

The Headwaters Forest ecosystem is far more than the sum of its parts, far more than important habitat for a number of threatened and endangered species. A lot has been made of Maxxam, Incorporated's aggressive harvesting of these forests since acquiring Pacific Lumber Company with junk bond revenues in a takeover nearly 8 years ago. The high quality and price of lumber manufactured from old-growth redwood make it a logical target for the company. But the old-growth ecosystem is simply not a renewable resource.

Can we as a society afford to forfeit it to satisfy the corporate debt obligation of an investor who practiced the argument of the 1980's junk bond finance. In this case, the public interest is diametrically opposed to the corporate interest in profit.

The public investment necessary to own and control this property is a matter of great debate and profound concern. An appraisal based on the stumpage value of every tree in the proposed 3,000-acre Headwaters Wilderness area and a surrounding 1,500-acre buffer valued that portion of the property at hundreds of millions of dollars.

But no one can contend that the public should pay for value that could never be realized by the current owner. State and Federal regulations undeniably limit harvest potential. Negotiations must establish a realistic value which is based on the actual ability to harvest.

In the final analysis, after weighing all the evidence about the impact on jobs, about the need to avoid future environmental "train wrecks" with respect to the marbled murrelet and the salmon fishery, about the unique ecological significance of ancient forests, finally we will have to look within ourselves and make a decision about the public interest.

We will have to make that decision without full knowledge because, in truth, we know very little about these magnificent forests. We do know, however, that there is a great deal to learn about the hydrologic effects, the climatic effects, and the whole life support system that is the ancient redwood forest of the Pacific Northwest.

Even if we are far from a thorough understanding, we can no longer plead blind ignorance. We know that these forests are finite. We know that when they are cut, there inevitably will be job loss unless the industry invests in remanufacturing. The question is not whether jobs harvesting and milling old-growth redwood will be lost, but when and wherever the few irreplaceable ancient forests will be standing or gone forever.

We know also that, in the largest sense, we are not separate from these forests. We, too, are part of the ecosystem. Undoubtedly we gain when these giant trees cohabit the planet with us. We can pretend the problem just doesn't exist. Or we can deal responsibly and creatively with the problem of the decline of our ancient forests, as this bill seeks to do, and be much richer for it in the long run.

Thank you, Mr. Chairman.

[The prepared statement of Mr. Hamburg appears at the conclusion of the hearing.]

Mr. BAESLER. Mr. Stark.

STATEMENT OF HON. FORTNEY PETE STARK, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF CALIFORNIA

Mr. STARK. Thank you, Mr. Chairman. I wanted to add to my colleague's testimony and point out that this legislation is probably also cosponsored by the New York Cheddar Cheese Tasters Association, the Hubert Humphrey 4-H Club, the California Central Valley Cotton Farm, Swim Club, and Family Preservation Act Association and the Red Rooster Peach Wine Vinters Booster Club of Eastern Georgia.

While we have not heard in final word from those societies, I do anticipate that they, too, will endorse this bill.

Someone will not, although I am pleased to join with Mr. Hamburg in supporting H.R. 2866, and he has described the legislation to you well. I wanted to outline some of the issues with which the members may not be familiar.

You will hear today about the Pacific Lumber Company, which was in the history of our State for over 100 years a company that was revered for its forward-looking employment policies and timber preservation policies. That history was pretty much decimated by the junk bond financed buyout of Pacific Lumber by the Maxxam Corporation controlled by one Charles Hurwitz. Since Maxxam's takeover, the interests of north coast community anticipates—those interests being a sustainable timber harvest and the environment—have given way to the relentless need to make interest payments on junk bonds and send the profits to Maxxam's Houston, Texas headquarters.

You will probably hear wonderful testimony to the grand history of Pacific Lumber. What they will not tell you is the rather sordid history of one Charles Hurwitz and the Maxxam Company. Hurwitz' business associates in his acquisition of Pacific Lumber are the convicted felons, Michael Milken, Ivan Boesky, and Drexel Burnham, Incorporated. Lawsuits from former Pacific Lumber shareholders are still pending on accusations of stock fraud by Hurwitz and the Maxxam operation.

Maxxam and Hurwitz are under investigation by the Federal Deposit Insurance Corporation for a bankrupt thrift known as United Savings Association of Texas. It is estimated that Hurwitz and Maxxam could owe the Federal Government in excess of \$500 million for what, according to the Wall Street Journal, was "breach of fiduciary duty and wrongfully failing to maintain the net worth of a failed thrift."

I might ask you to think back to that \$500 million owed to the Federal Government as we talk about at some point in the future the costs of this bill to our society.

In order to show their concern for workers and retirees from Pacific Lumber, the Maxxam Corporation systematically looted Pacific Lumber's pension fund of over \$60 million which they used for other corporate buyouts and debt reduction. They purchased annuities in collusion with the operators of what is now the bankrupt Executive Life Insurance Company of California and putting all of their retirees' pensions at risk. The U.S. Labor Department sued Maxxam over this action alleging Maxxam breached their fiduciary duty to the members of the Pacific Lumber's pension plan. The suit is pending.

Once the positive lumber was acquired by Maxxam, it immediately and significantly increased the cutting of redwoods, including virgin old-growth redwoods. Its rate of cut has doubled to tripled the rate of the harvest under the old Pacific Lumber Company. According to Newsweek, "The Redwood Raider * * * began plowing down California's coastal redwoods." And this level of cut was based on what is good for servicing the junk bond debt, not what is good for the economic stability of California's North Coast.

I think I am giving you a pattern of someone with no regard to the environment, to job maintenance or indeed to the needs of this country to preserve a landmark stand of 1,000-year-old trees.

The intention, I submit, was quite clear was to liquidate this country by virtually destroying this timber area in northern California.

The eagerness for quick profit has run them afoul further of the U.S. Fish and Wildlife Service and California Department of Fish and Game to illegally cutting significant amounts of old-growth redwood in an area known as Owl Creek. This, too, is important when we think about the costs of or the establishment of the value for these trees.

You will hear that this land has a high value because of the trees. What you won't hear is that that value is not there because it is against the law to cut many of those trees, a nicety that Pacific Lumber is now overlooking.

The top biologist for the Owl Creek area in California says they are basically conducting sneak attacks while pretending to look for marbled murrelets and they have renewed requests to cut down prime habitat areas.

The issue of the cost of this legislation is one of some debate. Maxxam will provide inflated costs, obviously. Should this legislation pass, it is not the intention to provide a windfall profit to scurrilous operators, Maxxam and Hurwitz. If the legislation passes, the value of the land would be judged not on what the timber

would bring because, quite possibly, much of that timber could not be cut.

There will be a cost. And I believe that, in summary, Americans are willing to make the investment in this resource. As those of you on this subcommittee know, the Forest Service is quite capable of managing our timber lands with more in mind than just maximizing the amount cut. They are used to thinking of timber as a renewable source and responding to values other than a quick profit.

There should be some finished revenue to the U.S. Government over the years if this timber is put on a sustained yield management basis and of course this subcommittee knows far more about that than do I.

The legislation does have broad support and I think that the support for it will grow when it is clearly defined that this is a question of preserving 1,000-year-old virgin redwoods as opposed to trying to further the greedy acquisition of other corporate trophies for a company whose record casts some gloom on the good record of other corporate American citizens.

Thank you.

[The prepared statement of Mr. Stark appears at the conclusion of the hearing.]

Mr. BAESLER. Thank you. Anybody have any questions? If you all care to join us, you are welcome in case you want to ask some questions of somebody else who might want to testify.

Mr. HAMBURG. I would like to join you on the panel.

Mr. BAESLER. Come right on up.

The next panel, Mr. George M. Leonard, Associate Chief of the Forest Service, U.S. Department of Agriculture. He is accompanied by Dr. C. John Ralph, and also Mr. Phil Detrich.

Mr. Leonard, we are going to have you take over.

STATEMENT OF GEORGE M. LEONARD, ASSOCIATE CHIEF, FOREST SERVICE, U.S. DEPARTMENT OF AGRICULTURE, ACCOMPANIED BY C. JOHN RALPH, PACIFIC SOUTHWEST RESEARCH STATION; PAUL B. TITTMAN, CHIEF APPRAISER; AND PHIL DETRICH, FOREST SPECIES SPECIALIST, U.S. FISH AND WILDLIFE SERVICE, U.S. DEPARTMENT OF THE INTERIOR

Mr. LEONARD. Thank you, Mr. Chairman. I will just summarize my statement. The Department of Agriculture supports the goals and objectives of H.R. 2866 and is interested in working with the Congress to find ways to acquire this property. However, there are serious cost issues associated with the bill as currently drafted. The administration is willing to work to negotiate with the involved parties to see if the objectives of the bill can be achieved.

H.R. 2866 would adjust the boundaries of the Six Rivers National Forest to include approximately 44,000 acres of private timberlands belonging to Pacific Lumber Company. The timberlands are redwood forest on productive growing sites. Approximately 3,100 acres of old-growth redwoods called the Headwaters Forest are included on these private lands.

The area to be acquired under H.R. 2866 has excellent natural resource attributes. Habitats for a variety of sensitive, threatened, and endangered wildlife species are provided by these Pacific Lum-

ber Company lands. The Headwaters Forest is pristine old-growth redwood and contains the majority of the birds in one of the three remaining populations of marbled murrelets in California.

Our main concern with H.R. 2866 is the cost of acquisition. An estimate of the cost of the acquisition for the approximately 4,500-acre Headwaters Forest, including the value of the standing timber, is approximately \$500 million. No appraisal has been conducted yet on the total 44,000-acre area identified for potential purchase and addition to the Six Rivers National Forest in this legislation. The bill provides for the development of a comprehensive management plan within 1 year of enactment.

Mr. Chairman, this time is simply too short. Development of such a plan would require that we conduct resource inventories, public involvement, and consultation with the U.S. Fish and Wildlife Service concerning threatened and endangered species. Accomplishing these tasks would take a minimum of 3 years.

Mr. Chairman, the forestlands in question would be a worthy addition to the National Forest System. The Department of Agriculture supports the goals and objectives of H.R. 2866 and is interested in working with the Congress to find ways to meet these goals.

Mr. Chairman, that concludes my statement. I would be happy to respond to any questions.

[The prepared statement of Mr. Leonard appears at the conclusion of the hearing.]

Mr. BISHOP [assuming chair]. Thank you very much. If you don't mind, I would like for us to go ahead and complete the panel of witnesses and then we will open it to questions. Maybe we can expedite, if that is OK with you.

Mr. LEONARD. It is certainly OK. Mr. Chairman, the other witnesses do not have statements.

Mr. BISHOP. Very good. If not, then I would like to open it to questions. There are members of the subcommittee who would like to ask questions or if some of the visiting Members would like to. Is there any Member who would like to?

Mr. HAMBURG. I will start off, Mr. Chairman.

Mr. BISHOP. All right, Mr. Hamburg.

Mr. HAMBURG. Good morning, Mr. Leonard. It is good to see you again.

Mr. LEONARD. Good morning.

Mr. HAMBURG. First, I would like to ask you to comment on the consistency of this bill with the recent FEMAT report in terms of the concept of ecosystem management.

Mr. LEONARD. Mr. Hamburg, I believe that the bill as written is fully consistent with the FEMAT report and the management plan that we could develop that would respond both to the bill and to the FEMAT report that there would be no inconsistencies.

Mr. HAMBURG. And so you have an understanding of why rather than look at isolated growths of redwoods, we are taking this kind of an approach to the overall management of this land.

Mr. LEONARD. Yes. It is clear that if we are going to meet the habitat needs of this particular population of marbled murrelet and the other species that are associated with the old growth in that area, we have to find a way to keep the forests from being further

fragmented and, in fact, begin to develop stands which will reduce that fragmentation so that the ecosystem functions properly.

Mr. HAMBURG. Speaking of the marbled murrelet in the context of the FEMAT report, I would just like to go to that report and bring forth for the record some of the things that are mentioned there. On page Roman numeral IV-164 of that report, it states that, in a section on the role of non-Federal lands in mitigation for the marbled murrelet, it states that private lands are key to maintaining the existing distribution of marbled murrelets and providing for potential recovery of the species.

It goes on to state that management and development of murrelet habitat on private and State lands could provide for a higher viability rating and an increased likelihood that the ecosystem plan adopted on Federal lands will maintain marbled murrelets for the long term.

I understand that the viability standards that are discussed in the FEMAT report are not especially encouraging that we are not—that there are substantial reasons to believe that the murrelet is severely threatened in California.

Mr. LEONARD. Certainly the population from the evidence that we have available to us, the population in California has been declining.

Mr. HAMBURG. And you concur that it is necessary for the private lands to make a contribution in order that we increase the viability or the likelihood that this species is going to survive.

Mr. LEONARD. That is certainly my understanding of the biology of the bird.

Mr. HAMBURG. I would like to ask you a question Mr. Detrich. Do you want to introduce yourself?

Mr. DETRICH. Yes. I am Phil Detrich, U.S. Fish and Wildlife Service, Sacramento Field Office. I supervise a group of biologists that administers the Endangered Species Act regarding forestry activities for both Federal and non-Federal lands in northern California.

Mr. HAMBURG. Thank you. Mr. Detrich, I would like to ask you, you have worked quite a bit with P.L. over the last several years.

Mr. DETRICH. Yes, that is correct, since the listing of the northern spotted owl in 1990.

Mr. HAMBURG. And with respect to the owl, you have had some successes working with the company.

Mr. DETRICH. Yes, we have. Our relationship regarding the spotted owl has been fairly cooperative.

Mr. HAMBURG. Could you tell me in your work with P.L. to date on the marbled murrelet, has that convinced you that the company is aware of the problem of maintaining the viability of the species? Have there been any reasons to make you doubt that that relationship will be a successful one?

Mr. DETRICH. I believe that they are aware of problems with the viability of the species.

Mr. HAMBURG. Are you convinced that additional harvest such as what we recently saw in November of 1992, are you convinced that harvest of that kind will not continue?

Mr. DETRICH. Well, to finish your earlier question, we have been involved with respect to the murrelet with Pacific Lumber for quite

some time and that relationship has been mixed. At times, they have taken our advice. At times, they have operated directly in opposition to our advice. The harvests that took place in 1992 and some of those that are proposed in the future do create a question as to the continued viability of the murrelet.

Mr. HAMBURG. Is the Fish and Wildlife Service—to what degree is the Fish and Wildlife Service concerned that additional harvest of these old-growth forests will result in take under the Endangered Species Act?

Mr. DETRICH. Well, take is a difficult concept when it comes to habitat modification. We don't know a lot about how this bird responds to timber harvest. Our goals for the conservation of the species are to stabilize the population and then if possible increase it. We don't believe that continued harvest in habitat of this quality is in the interests of stabilizing the population in the short term.

Mr. HAMBURG. Isn't it true that prior to the November 1992 harvesting in the Owl Creek area that you—you, the Fish and Wildlife Service—pretty clearly stated that to the company.

Mr. DETRICH. Yes. Biology staff suggested to the company that we had concerns that the actions they were proposing might result in take.

Mr. HAMBURG. And the company determined that they should go ahead anyway?

Mr. DETRICH. That is right.

Mr. HAMBURG. Currently there is an approved THP, approved by the State board of forestry which was enjoined in court. I understand that that is preventing any further harvesting in Owl Creek. Is the Fish and Wildlife Service taking a position on any further harvest in Owl Creek that is any more aggressive than the position you have taken in the past?

Mr. DETRICH. I have been assured by the Assistant Secretary for Fish and Wildlife and Parks that we will take enforcement seriously in this case. We also participate—

Mr. HAMBURG. What does that mean, Mr. Detrich? I would assume that the Fish and Wildlife Service would always take their enforcement responsibilities seriously.

Mr. DETRICH. That is correct, we do take our enforcement responsibilities seriously. However, when we come to a matter of interpretation—

Mr. HAMBURG. Where is that matter of interpretation?

Mr. DETRICH. The matter of interpretation is the difference between what a biologist might interpret as a take, that is, a significant impairment of essential behavior patterns, and the interpretations of the law enforcement division, the Department of the Interior, Solicitor, and the Department of Justice as to whether there is a case there that can be prosecuted.

Mr. HAMBURG. My understanding is that the test in determining whether take has occurred in the past has been finding dead bodies on the ground and the murrelet has not met the dead body test.

Mr. DETRICH. Well, kill is a portion of the definition of take. Also harm and harass, harm relating to habitat modifications, so there is some latitude in the regulation for pursuing take according to habitat modification. That has been difficult for the Service to pursue in the past. Case law is limited.

Mr. HAMBURG. But you have been advised by the Assistant Secretary that these matters should be taken quite seriously?

Mr. DETRICH. That is correct.

Mr. HAMBURG. Mr. Chairman, I would yield and perhaps I will get a second round here.

Mr. BISHOP. Thank you very much, Mr. Hamburg. We would like to allow the gentleman from Georgia on the other side of the aisle to ask some questions. Mr. Kingston.

Mr. KINGSTON. Thank you, Mr. Chairman.

Mr. Leonard, on this \$500 million price tag, that appraisal, was that done on all 44,000 acres.

Mr. LEONARD. No, sir, that was done on approximately 4,500 acres.

Mr. KINGSTON. What is the reason for that? You do it on part of it and just multiply it out, is that it?

Mr. LEONARD. No, the area that was appraised is not representative of the total number. It represents the higher value old-growth timber, much of the remaining 44,000 acres is cut over. At the time that we did this, there was a proposal to acquire just the headwaters itself and a 1,500-acre buffer around that, so that was what was appraised. We have not yet conducted appraisal of the total property.

Mr. KINGSTON. Will you be doing that, because with stumpage prices changes, won't that figure change?

Mr. LEONARD. We would certainly have to update the appraisal for the 4,500 acres to whatever time we were involved with—stumpage values are increasing rapidly for redwood timber and we will have to—if we got to the point of making an acquisition or exchange, we would have to do an appraisal for the entire property.

Mr. KINGSTON. In private transactions, do appraisals get done that way or is this a little different where you only appraise 4,500 acres?

Mr. LEONARD. There has been a series of proposals on what to acquire here. Everything from just the Headwaters Forest to 29,000-acre tract which was in a bill last year, now 44,000. There have been proposals for acquiring even larger areas. We were responding to the proposal to acquire just the headwaters tract. Obviously, before you acquire a larger tract, you would have to do an appraisal.

Mr. KINGSTON. Since 1966, I understand the Forest Service has acquired about 900 million dollars' worth of land, something thereabouts, so wouldn't it be relevant to do an accurate appraisal and know exactly if we are talking 4,500 or 44,000.

Mr. LEONARD. Absolutely. Before we would proceed with acquisition, we would have to do an appraisal.

Mr. KINGSTON. Now, on the murrelets—we don't have them in Georgia—how many are on the 44,000 acres or how many are on the 4,500 acres?

Mr. LEONARD. Let me have Dr. Ralph, who is the researcher who specialized in the marbled murrelet respond to that question, whatever it is called.

Mr. RALPH. The North American population of the species is quite large, about 350,000. In California, recent research that I have done shows between 6,000 and 8,000 in the State of Califor-

nia. The headwaters in the area in southern Humboldt County has about 20 percent of that statewide population, or roughly 1,500 individuals.

In the 44,000 acres, I would estimate something on the order of 1,000 to 1,200 individual birds would be in this area. There is roughly, depending on how you define old growth, something like 15,000 acres of old growth on Pacific Lumber Company lands and residuals as well. This is a majority of the population in one population of the three populations in California.

Mr. KINGSTON. Mr. Detrich, you do a lot with endangered species. Is that cost-efficient? If it is 1,500 for the 44,000 acres or presumably a lesser amount on the 4,500 acres that this price tag—I don't know what the math comes to per animal—but is it a cost-efficient acquisition in that respect?

Mr. DETRICH. I don't believe that we can put a price tag per animal, Mr. Kingston. However, I would state that this particular habitat is the highest quality habitat for this species remaining in private hands south of Puget Sound, so it does have considerable value for the species.

Mr. KINGSTON. If you get the 4,500 acres, can you breed them and transfer them on—as I understand, there is about 290,000 acres in California, and would they live in those acres? Do you transfer them?

Mr. DETRICH. I don't understand the basis of the 290,000 acres, but let me discuss the biology question. We know very little about the reproductive biology of the marbled murrelet. It lays a single egg on a large limb of a tree. Only 30 some nests are known in the entire range, so whether we could translate that into some kind of captive breeding, I think would be problematic in the near term.

Mr. KINGSTON. How many acres in California are publicly owned, State, Federal, and local government? Approximately?

Mr. LEONARD. Approximately 60 percent of the State, I believe.

Mr. KINGSTON. Mr. Hamburg, this is your legislation and I am not trying to delve into California matters.

But one of the things that concerns me out West is, as we acquire more and more land publicly, it limits the opportunities for private industry and job expansion and so forth.

And I have heard that California is 60 percent publicly owned as opposed to Massachusetts which is about 14 percent.

Mr. LEONARD. Mr. Kingston, if I could interject. Staff just told me my guess is wrong. It is 47 percent of the State is publicly owned.

Mr. KINGSTON. Federal, State, and all three levels of government?

Mr. LEONARD. Yes.

Mr. KINGSTON. I yield back the balance of my time.

Mr. BISHOP. Thank you, Mr. Kingston.

Let me ask a question of Mr. Leonard. In your testimony—I reviewed some of your testimony—you indicate that the administration is interested in exploring a number of the possible alternatives to purchasing the land, including conservation easements, land donations, and land exchanges to accomplish the objectives of the legislation, that balancing the real concern that you have against the cost of acquisition.

From your vantage point, do you feel that it is feasible through the years of these alternatives to actually accomplish that; the acquisition of all or a portion consistent with the objectives of the bill?

Mr. LEONARD. We certainly believe that it is well worth exploring those other options. We do know, for example, that the Resolution Trust Corporation has acquired some very valuable property which would be very liquid and easy for Pacific Lumber Company to dispose of if they were to acquire that. There are military bases being closed that are—some of them with very high value in urban areas which would be relatively liquid.

Pacific Lumber Company has not expressed an interest in selling land beyond the 4,500 acres, so we can't say that, yes, we could make another deal of some sort. Nor can we say if we had the cash that we could make the deal but the lands are very valuable. They play an essential role in the recovery of the murrelet in northern California, so I think having the opportunity to explore a range of options and see if a deal could be struck is well worth the effort.

Mr. BISHOP. Thank you very much. At this time, Mr. Farr, did you have some questions.

Mr. FARR. Thank you very much, Mr. Chairman. Just for a moment.

I would like to respond to the inquiry on California public ownership, just having been involved in that in the State legislature. A great deal of California is in public ownership, but it is mostly the Sierra-Nevadas and some areas in national forests in northern California.

But the bulk of where the population lives along the coast in Central Valley, there is very little public ownership of land and frankly the public ownership of land is now turning into private lands because of base closures in California—28,000 acres in my district, the largest military base in the United States is being closed. Ten percent of the population gone, all that is going to be shifted into private sector and some public sector university.

So I don't think you should get caught up on the fact that a percentage of when they have public lands, they also talk about public ownership of roads and highways and we know a lot of California is paved over with that ownership.

Mr. Chairman, on the bill, this is a big battle in California and one of the things that California prides itself on greatly is its old-growth redwoods. It is sort of part of our State's heritage, something that we take pride in very well and very little of that old-growth redwoods along the coast is in public ownership. And that is what this legislation is all about.

I think the issue really is the price that needs to be paid for the lands and a discussion on that. I look forward to the author continuing with the legislation. I will be glad to answer any questions you might have.

Mr. KINGSTON. If the gentleman will yield, on the chart, the land in red is publicly owned which looks like a lot. It looks like a lot on the coastal area, and that is my concern in terms of what the people of California's desire is along that. I spent my weekend in Oke Swamp in Georgia which I think is 600,000 acres of publicly held land.

And I am delighted that it is, but at the same time that question is something that I think, as members of the Agriculture Committee, we need to always be concerned, because when you take it from one group and give it to the Government, you are still limiting the number of choice acres that are out there and that is why I brought it up.

I will bring that up probably on anything that requires land acquisition and so forth. I did not know that roads and highways are included in that 47 percent that the gentleman said. Are they? They are not?

Mr. LEONARD. No, sir.

Mr. KINGSTON. What is included in it?

Mr. LEONARD. It includes primarily lands managed by the U.S. Forest Service, the land managed by the Bureau of Land Management, the National Park Service, U.S. Fish and Wildlife Service refuges and other significant ownerships, not the rights of way and others.

Mr. KINGSTON. What about military bases?

Mr. LEONARD. I am sure it would include the military bases.

Mr. KINGSTON. This is something I think is an ongoing question.

Mr. LEONARD. Mr. Kingston, I am a native Californian and spent a lot of time there. I do not believe that red area on that map represents public ownership.

Mr. KINGSTON. I think some of it is protected, maybe, so.

Mr. LEONARD. It is not in public ownership; most of that is in private lands.

Mr. FARR. The best map on this issue is the BLM map which shows all Federal, State, and local—all Federal and State ownership of land. That is a little more accurate, although—

Mr. KINGSTON. That is a lot more colorful at least.

Mr. FARR. A great deal of the land in California is owned by BLM and most of that land was left over unclaimed land. It is the sort of land that nobody wanted. And the Federal Government still manages it, in many cases doing some creative management programs and trade-offs. That land, where appropriate, has gone into some private ownership.

Mr. HAMBURG. Mr. Chairman, if I could just address this issue. It has been a very interesting discussion about how much land is tied up and who operates it and what its value is and so on, but I just want to clarify something with respect that has directly to do with this bill, and that is how much land remains in northern California that has the qualities of ancient redwoods forests?

Originally, before we began to cut these forests, there were 2 million acres. There are now 80,000 acres approximately remaining—some people say 76,000 but some say 82,000—but somewhere around 80,000 acres remains. About four-fifths of that is protected currently. The remainder is not. This is the largest tract of privately owned ancient redwood forests that remains on the planet.

The issue here that we are really looking at, I think, is what is the value of this land not only in the sense that Congressman Farr referred to which I think is very real. I do think this is an international treasure and that these lands should be preserved for our children and our children's children.

But the other issue that we are dealing with here is habitat and that, too, is a very important issue and we have a couple of experts here who I think—I think we should just draw a little bit more out of them about the uniqueness of this habitat and its need in order to avoid future environmental train wrecks which I think Secretary Babbitt has been very eloquent in discussing and showing us the dangers of those and the need to avoid them.

I think that we really need to focus not just on the whole issue of publicly owned versus privately owned land in the State of California but on the uniqueness of the ancient redwood forest, the ancient redwood ecosystem and its very key role as the FEMAT report discusses in detail in maintaining the viability of species that are on the verge of extinction. So I am not sure who is in charge here.

Mr. ROSE. I will be right back.

Mr. HAMBURG. Mr. Chairman, I don't know who you are going to recognize next, but I had a couple of follow-up questions, then I could be finished.

Mr. BISHOP. The procedure for the subcommittee is to allow each member an opportunity to address questions or to make statements, and we probably need to limit that time—I am sure that everyone can—so we don't take an inordinate long period of time. So if it is all right with those present, I will ask the members who have questions to limit them to 5 minutes and shorter if possible and see if we can work that in so we can perhaps get back to Mr. Hamburg and you can use your follow-up questions. Let's give every member an opportunity to address these questions at least once before we go back for repeaters.

Mr. GOODLATTE. He was here first.

Mr. ROSE [assuming chair]. He didn't indicate a desire to question.

Mr. Goodlatte.

Mr. GOODLATTE. Thank you, Mr. Chairman.

Mr. Leonard, last year you testified that the Forest Service opposed the enactment of this legislation because of the high cost of acquisition and potential for economic impact to local communities. This year you have expressed concern about the costs of the bill without any mention of the economic impact to local communities.

Is this economic impact no longer of concern to the Forest Service?

Mr. LEONARD. No. We obviously are continuing to be concerned about the impact on local timber-dependent communities. What is reflected in the change of our position is an interest by this administration in sitting down with all the parties and seeing if something can't be worked out; and within that context, concern for the dependent communities would be part of that process that would be worked out.

Mr. GOODLATTE. And it goes beyond the timber nature of it, doesn't it? We are taking additional lands out of the local tax base when we do this, so even if we set aside the issue of using it as a timber resource, if it can't be used for any other resource, that is a loss of revenue to the local economy and to the local tax base; is it not?

Mr. LEONARD. That is right. Now, this bill does attempt to deal with that by providing a basis for revenues of the counties for a period of 10 years, based on what the lands would have paid.

Mr. GOODLATTE. Would the lands be given back after 10 years?

Mr. LEONARD. No. It is intended as a transition period.

Mr. GOODLATTE. So if they are taken out of the tax base, they are gone forever, regardless of how long they get some kind of economic benefit; is that correct?

Mr. LEONARD. That is correct.

Mr. GOODLATTE. I understand that there is some endangered species to be protected in this area; is that correct?

Mr. LEONARD. That is a significant part of the interest in acquiring these lands, yes, sir.

Mr. GOODLATTE. And what are those species?

Mr. LEONARD. The primary one of concern is the marbled murrelet.

Mr. GOODLATTE. And how many of them are there, the tract that we are talking about?

Mr. LEONARD. I will ask Dr. Ralph, who is an expert in that field, to respond.

Mr. RALPH. My estimate is approximately 1,000 birds are in the area that we are talking about, of the 44,000 acres.

Mr. GOODLATTE. What about the 4,500-acre Headwaters tract?

Mr. RALPH. It is a very difficult species to study and to measure its population. It is very secretive.

My best guess would be something like 60 percent of that figure, but that is very difficult to measure precisely. Mostly our population estimates are based on the birds at sea. We can count them there. They can't hide behind trees and things like that; so that is the basis for our population estimate.

Mr. GOODLATTE. At 500 or 600 birds that is about \$1 million a bird. Can you give us any guidance as to what kind of resources the Congress—I am from Virginia, far away from this area—what kind of resources the Congress should be expending to protect this species, when we are talking about that kind of cost that we are going to expend?

Mr. RALPH. I am a scientist. Unfortunately, that is a policy issue, and I don't usually deal with that sort of thing. I will leave that to your wisdom.

Mr. GOODLATTE. Well, you might have an opinion on it.

Mr. RALPH. No; I don't.

Mr. GOODLATTE. The buck stops here.

Thank you, Mr. Chairman.

Mr. BISHOP. Thank you very much, Mr. Goodlatte.

Mr. GOODLATTE. Or maybe it starts here, Mr. Chairman, I am not sure.

Mr. BISHOP. Let me ask Mr. Leonard, I was interested in the line of discourse there regarding the loss of tax revenue to the, I assume the counties and the State because of the transfer from private to public ownership.

Along those lines, are there any provisions of law, policy, already in existence that deal with this revenue loss that will compensate the counties and the State partially for loss of revenue? For example, county payments based on a percentage of the yield when it

is managed and it is actually cut from the Government's forestlands, the pilt payments? And also would there be a possibility for additional revenues in terms of tourists for wildlife and camping and that type of thing from tourist fees and camping fees?

Mr. LEONARD. Yes, Mr. Chairman, there are a number of provisions in the law that provide payments to local governments based on the Federal lands within their jurisdiction.

For example, to the extent that we have timber harvesting on these lands that have national forest status, 25 percent of the revenues would be paid to the counties for use for their schools and roads. There is a provision for payment in lieu of taxes on those lands to the extent that that 25 percent payment doesn't exceed the minimum amount.

And in this bill itself there is a provision for maintaining revenues to the local governments based on California tax things for a period of 10 years.

Mr. POMBO. Would the gentleman yield?

Mr. BISHOP. Just a moment. Let me just follow up.

This is in addition to the 10 years of payments that would be contained in this bill?

Mr. LEONARD. I believe that it would. But what the administration is asking is that we sit down with all the parties involved and develop a proposal.

They are not supporting this bill because of the direct costs. The administration says, we would like to sit down with all the parties involved, look at the avenues other than paying for it out of appropriated funds, out of land and water conservation funds, and I think such things as paying to counties and whatnot might very well be part of that discussion.

But the bill itself does attempt to address this period by providing a 10-year transition period for the local government.

Mr. GOODLATTE. Mr. Chairman.

Mr. BISHOP. Mr. Volkmer.

Mr. GOODLATTE. Could I ask one question regarding that, if I might?

Mr. BISHOP. If Mr. Volkmer will yield to you.

Mr. VOLKMER. I will yield.

Mr. GOODLATTE. I appreciate it.

My understanding is that those payments in lieu of taxes are 75 cents an acre. That is what it is in Virginia; is that correct?

Mr. LEONARD. Yes.

Mr. GOODLATTE. So land that is valued at \$100,000 an acre, in excess of that the county would get, in lieu of the tax base on the \$100,000-an-acre land, 75 cents.

Thank you.

Mr. VOLKMER. My problem, last year, when I was chairman of the subcommittee with this bill was, if we use the money from the Land and Water Conservation Fund, in the first place, we don't have enough money to pay for this land. Now is that correct? How much money have you got in the Land and Conservation Fund right now, appropriated funds?

Mr. LEONARD. I will have to—I think it is about \$900 million in total—well, in terms of our budget.

Mr. VOLKMER. In terms of the fund, actually right now, what you have right now to expend for the whole Nation; how much do you have?

Mr. LEONARD. \$65 million.

Mr. VOLKMER. \$65 million. Over the period of the Land and Water Conservation Fund, we have only had around \$900 million. That is all these years?

Mr. LEONARD. That is correct.

Mr. VOLKMER. We are talking about a \$500 million acquisition. This was our problem last year. I think it is going to be a problem. Because what we are saying is, we will take all the money from the Land and Water Conservation Fund, from one forest acquisition, and nobody else in the whole country gets a penny.

We don't get anything in Missouri. Nobody in any of the eastern forests gets anything, or anyplace else. All for the next 10 years is going to go for this, and it almost takes 10 years to do it, correct?

Mr. LEONARD. Well, this would be added to the approximately \$1 billion of backlog of Land and Water Conservation Fund acquisition of property that the Congress has directed us to acquire.

Mr. VOLKMER. We have already up to \$1 billion?

Mr. LEONARD. Yes.

Mr. VOLKMER. That is what I mean. So we have to put all that aside and just do this; that is the problem. I don't know if the gentleman from California recognizes that.

Mr. HAMBURG. Will the gentleman yield?

Mr. VOLKMER. The problem here is a money interest, not the interest not to do it. I, for one, have always felt especially that the Headwaters area, where everybody has agreed—I would love to be able to acquire that and put it in the national forests; and there is no problem with that, except I don't have the money.

I would like to have a Mercedes-Benz, too, or a Rolls Royce; I ain't got the money.

So I mean, we have to face that fact unless you can find—in my opinion, unless somebody can find an alternative source of funding other than that Land and Water Conservation Fund, there isn't any way to get this property.

I yield to the gentleman from California.

Mr. HAMBURG. Thank you. Congressman Volkmer, I know that you are familiar with the bill and the various funding mechanisms that are discussed within the bill. It is surely not my belief that the Land and Water Conservation Fund—could ever be the sole source of revenue for this purchase, and that is why the bill mentions many different options that should be pursued.

And although Mr. Leonard has said the administration does not support the bill, I think the administration understands that the bill is flexible in terms of offering many options for this acquisition; and also that the administration, in supporting the goals and objectives of this bill, realizes that because of the very precarious state of species that depend on this habitat, the failure to enact this kind of bill will result in perhaps much more serious economic consequences than would letting this process go forward and, over time, effecting this transfer of ownership, so it is not—Harold, in my belief, it is not as if we had the choice to do nothing, to just

pretend, well, like we can just do business as usual and let the company continue to cut these last few thousand acres of trees.

I mean, the FEMAT report itself points out that unless we protect these pristine growths of old growth, we are going to have more species that are listed in the Endangered Species Act. Just look at the coho salmon. As you know, there is a petition for the coho that is going to be filed on October 21 in California. We have lost a \$100 million coho recreational and commercial industry in California already because of the fact that that species is being driven into extinction; and testimony that we have entered into the record from Dr. Peter Moyle states that perhaps as much as 10 percent of the remaining coho spawning habitat in the State of California is in this Headwaters region. So we need to do something, and I totally agree with you. It can't be done through any sole source.

In November of 1994, there will be a measure on the California ballot which provides for \$214 million for acquisition of ancient forests. There are possibilities for land transfer within the State of California or from throughout the Federal system, so we are going to have to be very creative. And Mr. Leonard, I think, has said this, so what the administration wants to do in inviting this bill to go forward is enter into a serious negotiation, using all the tools in our bag, to try to achieve a very important public purpose.

Mr. VOLKMER. Gentlemen, my suggestion would be that we continue to negotiate with the administration over methodology by which to finance the acquisition. And then once that is done, then I think we could move on the bill.

But I just don't see it at the present time. I don't know; perhaps there can be some transfers worked out, perhaps there can be some methodology whereby the State comes up with part of the money and we use part of the Land and Water Conservation Fund and all those things, and perhaps it can be done over time.

Of course, that has a lot to do with the present owners, how long they want to wait for their money, also. You understand that. That all has to be done.

I don't think we can impose an acquisition on someone and then say, well, you wait around, we will figure out how to pay you and take people's land without—we have a Constitution that says you don't take public use without compensation, and I think we need to do that.

So I am willing to work with the gentleman from California because, like I said, I would love to acquire especially the Headwaters Forest area. I think it should be done. I don't disagree on that at all. But just personally I still haven't seen where you are going to get the money to do it. And if you can work it out, fine with me, no problem.

Mr. HAMBURG. If the gentleman would just yield for 1 second, I think that is what this bill really does, Harold, it sets in motion a negotiation between the Agriculture Department on behalf of the Forest Service and the current owners of the property, Maxxam Corporation; and it is a vehicle to move forward on doing exactly what you and I agree needs to be done.

Mr. BISHOP. Thank you.

Before I recognize Mr. Pombo, let me say on behalf of the subcommittee, we would like to request that the administration, Mr. Leonard, furnish to the committee, in writing, a position on the bill and the possible alternatives particularly clarifying, from the administration's point of view, why this piece of legislation would be helpful and important, or vice-versa.

Could you agree to do that for the subcommittee?

Mr. LEONARD. Yes, we will.

Mr. BISHOP. Thank you. At the earliest practicable time, please.

Mr. LEONARD. Yes, sir.

Mr. BISHOP. I recognize Mr. Pombo.

Mr. POMBO. Thank you. I would like to return for just a minute to the area of costs, and in yesterday's Natural Resources Committee hearing, it was said that it would cost approximately \$500 million to buy, I believe it was the 4,468 acres.

Mr. LEONARD. That is correct.

Mr. POMBO. And you also indicated that the recent price of redwood has increased approximately 15 percent since the appraisal?

Mr. LEONARD. That is correct.

Mr. POMBO. So it would be 15 percent above the \$500 million just to buy the 4,400 acres?

Mr. LEONARD. Based on the appraised value, yes.

Mr. POMBO. So we are talking then about \$575 million to purchase 10 percent of the property that is included in this?

Mr. LEONARD. That is correct. But it should be understood that that 10 percent is the old-growth timber and therefore represents a very substantial part of the total value of that 44,000 acres.

Mr. POMBO. Do you have an indication as to what percent of the value it is?

Mr. LEONARD. No, we have not had access to the other land, so we don't know for sure what—we know the general character—you can go out and look at the countryside—but we don't have an estimate of the volume involved nor the other factors that would go into the appraisal. We haven't had access to the other area.

Mr. POMBO. So you can't—at this point, you can't give any indication if it would be twice as much or three times as much?

Mr. LEONARD. It wouldn't—if we were to make a guess, it would be that; and it wouldn't be worth much more than just a guess.

Mr. POMBO. It was also mentioned that this is considered prime habitat for an endangered species?

Mr. LEONARD. Yes.

Mr. POMBO. The private land, under current law or under the way that ESA is being implemented today, are activities restricted in terms of cutting of the old-growth forest currently?

Mr. DETRICH. Yes, to some degree. We have been working with the company on timber harvest plans on the smaller old-growth tracts, and that would result in some restriction of harvest in those areas.

Mr. POMBO. It is my understanding of the way that the ESA is being implemented in the forest areas that there are a lot of restrictions in terms of what they can cut and how much they can cut and the way that they can cut, because of the endangered species.

Mr. DETRICH. There are two levels we need to look at. First of all, take of listed species it is prohibited with a permit from the Fish and Wildlife Service. Thus, the first level of restriction is that of take.

However, particularly with the northern spotted owl, we have developed some plans where we authorize take and the harvest level can increase.

Mr. POMBO. At what level is this forest being harvested now? The area that is included in this—

Mr. DETRICH. The existing old growth?

Mr. POMBO. Yes.

Mr. DETRICH. Very little.

Mr. POMBO. And what is the reason that very little is being harvested there now?

Mr. DETRICH. Most of it is involved in litigation.

Mr. POMBO. So is it your opinion that this is in imminent danger of being logged and that the habitat for the endangered species is in imminent danger of being lost?

Mr. DETRICH. I don't know that I would say it is imminent, because the company will be working with us whether this bill proceeds or not.

However, if the bill is not carried out, the Fish and Wildlife Service will be working with the company on plans that will no doubt result in some harvest to that area.

Mr. POMBO. But not harvested to the degree which would sufficiently damage the habitat of the endangered species?

Mr. DETRICH. We anticipate probably some loss of habitat, yes.

Mr. POMBO. But not to the degree that it would be very harmful to the endangered species, because that would be against the law?

Mr. DETRICH. That is right. We cannot authorize permits that would result in a jeopardy to the species.

Mr. POMBO. So at this point there is no real great need for going in and acquiring the land, because the private company is working with Fish and Wildlife?

Mr. DETRICH. I would say that the value to the species would be greater if there were no harvest.

Mr. BISHOP. At this time, do you have a further question, Mr. Hamburg?

Mr. HAMBURG. Mr. Chairman, I would just like to follow up on the question from my colleague and ask Dr. Ralph, in your opinion, can the marbled murrelet sustain the loss of further habitat and maintain anything like a high viability standard?

Mr. RALPH. Right now in the State of California, as elsewhere in its range, it is in a severe state of decline; and if we have a policy objective to reverse this and lead toward the recovery of the species, we have to manage large tracts of land in such a manner as to enhance the species, and your proposal in your bill is such a proposal for managing large tracts of land to allow for the recovery of the species; rather than just maintaining it, or allowing it to decline even further.

It is in decline. It has a very low reproductive rate at the present time.

Mr. HAMBURG. So the answer is no?

Mr. RALPH. That is correct.

Mr. HAMBURG. Thank you. I would like to follow up on another question from my colleague from California.

Congressman Pombo asked you, Mr. Detrich, whether P.L. could cut further in these virgin old-growth groves, and I think you replied that they would require a take permit to do so. Is that correct?

Mr. DETRICH. That is correct if it is determined that take would ensue.

Mr. HAMBURG. Did P.L. have a take permit in November of 1992?

Mr. DETRICH. No, they did not.

Mr. HAMBURG. Why not?

Mr. DETRICH. They apparently disagreed with our conclusion that take would ensue.

Mr. HAMBURG. So if they were to disagree in the future, what would keep them from doing the same thing they did before?

Mr. DETRICH. That would depend on the strength of the case that the Fish and Wildlife Service could bring.

Mr. HAMBURG. After the fact, of course.

Mr. DETRICH. That is correct.

Mr. HAMBURG. Right.

If I just could go back to this issue of the appraisal, the famous appraisal of September 13, I have been real concerned—it seems like any appraisal is only as good as the assumptions on which that appraisal is based; and the assumptions on which this appraisal was based seems to me to be suspect at best.

One of the assumptions was that 3 percent of the total volume of the virgin redwood forest that is contained within this proposal—actually, within the 4,400 acres—would be set aside for riparian wildlife protection.

Is that, in your opinion, Mr. Leonard, a reasonable set-aside to protect endangered species in this grove?

Mr. LEONARD. The appraiser went to the State of California at the time he was starting the appraisal, obtained from them the conditions under which they would issue a harvest permit, and utilized those conditions to estimate the area which would be drawing from timber harvesting.

The appraisal was taking place at the time that the murrelet was being listed by the Fish and Wildlife Service, and I think it is clear that the appraisal does not reflect the additional requirements that might be imposed, associated with the murrelet.

Mr. HAMBURG. So would you say that in that sense the appraisal is fundamentally flawed?

Mr. LEONARD. I question if fundamentally flawed is a little too harsh a statement.

Mr. HAMBURG. Three percent, Mr. Leonard, 3 percent set-aside for marbled murrelets after what we have heard from Dr. Ralph.

Mr. LEONARD. As I said, there would be additional areas that would be off limits for the marbled murrelet.

We don't have a recovery plan, so it would be difficult to indicate exactly what the level of restriction would be, but it would be well beyond where we are.

Mr. HAMBURG. Considerably above 3 percent?

Mr. LEONARD. Yes.

Mr. HAMBURG. Second, a lot has been made of this appraisal being dated to the current stumpage value of redwood, and that because of the inflation and the cost of redwood, that we would have to figure in an additional 10 percent, 15 percent, what have you.

My understanding, however, is that the appraisal itself does take into account the fact that any harvest of this property would take place over many years. It does not assume that we would have a cut of 44,000—4,400 acres in a day and would realize value therefrom; isn't that correct?

Mr. LEONARD. That is correct. Let me ask our Chief Appraiser to address that.

Mr. HAMBURG. Thank you.

Mr. TITTMAN. My name is Paul Tittman. I am Chief Appraiser of the Forest Service.

The premise upon which the value was rendered, Mr. Hamburg, is that the timeframe that would be anticipated by a potential buyer of that property is considered and reflected in the \$499 million value. Increases that occurred subsequent to the date of value, which is the key, would be reflected in an update that might occur at a later date, because the vast majority, the value is reflected by the commercial stumpage, a 15-percent increase could—I am out on a limb because I didn't write this report, and I am not going to try to rewrite it now—could result in a proportional increase in total value.

The standards that you referred to earlier concerning the set-aside were provided by the California Department of Forestry.

Mr. HAMBURG. Without consultation with the Fish and Wildlife Service, I understand.

Mr. TITTMAN. They were provided directly from CDF to the appraiser and through whatever route they developed for the standards; we generally don't second-guess the licensing authority for that type of thing.

Mr. HAMBURG. And I am sure you are aware—I am sure you have read this report in detail, and on page 5 where it says, the appraiser note that is "The desirability of a reliable supply of high quality, old growth redwood and Douglas-fir timber, and the anticipation of future price increases, among other things, tend to offset the effects of time on the overall value."

Could you explain what that means? It seems to me that what that said is that the inflation in price over a period of years has already been offset in this appraisal; is that correct?

Mr. TITTMAN. No. I think that basically what he is trying to suggest here is that the values are generally stable because there has been an ongoing appreciation in redwood, the more recent timeframe; and I think part of the problem is, the span of time that you look at the value of this stumpage, the longer the timeframe, the more moderate the increase is.

If you look at the more recent timeframe, 10 months had occurred since the date of value, the increase is more trackable. It is sharply upward and it goes to the limited supply.

They are referring more to the stability of the estimate. Some species are quite volatile on the market, and they do go up and down depending on a lot of factors. Douglas-fir, for instance, is key

to housing construction in a lot of cases, so it does go up and down. Redwood has not had that kind of activity.

Mr. HAMBURG. Thank you.

Mr. Chairman, I think my time has expired.

Could I just ask one additional question of Dr. Ralph, Mr. Chairman?

Dr. Ralph, I am going to take the liberty to ask one additional question regarding the marbled murrelet. A lot is being made of the cost of this proposal and translated into a cost per animal; and you know, we are spending millions of dollars for every marbled murrelet, and isn't that something we can't afford? Would you say from your scientific point of view that there is more at stake here in terms of threatened and endangered species than the murrelet and that the murrelet is, like the northern spotted owl, a kind of indicator species of the overall health of the ecosystem?

Would you concur with that or not?

Mr. RALPH. Yes, certainly the problems in the areas of northern California, where we are—and other species and other members of the complex ecosystem there are also involved—so putting it all on the backs of the marbled murrelet is probably not entirely fair to the murrelet.

Mr. HAMBURG. Thank you.

Mr. ROSE [resuming chair]. Does the gentleman seek recognition?

Mr. DOOLITTLE. Yes, Mr. Chairman.

Mr. ROSE. The gentleman is recognized for 5 minutes.

Mr. DOOLITTLE. Mr. Leonard, I understand that 193,000 acres, comprising all of the acreage involved in this—which in total, is about 4,486 or so, the core of it; but there is another 40,000—this 193,000 acres in 1986 was purchased by the present owners for \$900 million. Is that your understanding?

Mr. LEONARD. I have no knowledge of what that price would be.

Mr. DOOLITTLE. That is the figure that I have here, mentioned in a newspaper editorial. The value, from your testimony yesterday when I was in the hearing in the Natural Resources Subcommittee, your appraiser indicated, as of January 1, this was valued at \$499 million; and we heard testimony based on the 15-percent increase in the value of redwood stumpage that would add approximately another \$75 million to the \$499 million, for a total of \$574 million at this point. And that is for nearly 4,500 acres.

Are you concerned at all about the tremendous disparity in prices? It seems like the purchaser got a pretty good deal when they bought it for \$900 million; now they are going to make a fabulous deal if the Government is going to buy back 4,500 areas of the original 119,000 and pay over half what they paid for the whole 193,000 acres. Doesn't that seem intriguing?

Mr. LEONARD. Certainly there has been tremendous increase in stumpage values.

The other thing that needs to be voiced is, the bulk of the value that is involved in these properties is in the standing timber, not in the land itself.

Mr. DOOLITTLE. Right.

Mr. LEONARD. The bulk of the remaining old-growth timber in the Pacific Lumber Company holding is within the 44,000 acres, and the biggest tract, therefore—the most volume is in the 4,500

acres. So if you look at it strictly from the timber inventory standpoint, what is being proposed in Mr. Hamburg's bill is acquisition of most of the remaining old-growth timber on their lands.

Mr. DOOLITTLE. I wonder if you could explain how the administration works, since reducing the budget deficit is his top stated goal? We just had a big tax increase ostensibly to accomplish that. Are the agencies and Departments infused with this mission?

I mean, does that translate down to, say, something like the Forest Service? Are you given a mission by the administration that that should be the top or one of the top priorities?

Mr. LEONARD. Absolutely.

Mr. DOOLITTLE. Does it concern you then that you are coming before us—the Federal Government already owns 42 percent of California; there are 13 protected stands of redwood trees in California already. We have four-fifths of it, of the existing old growth protected in one fashion or another.

Does it concern you to come here and support a proposal which adds another \$1.5 billion onto the national debt? I mean, how could you reconcile that with the goal of the Clinton administration?

Mr. LEONARD. What this bill is proposing is that the lands be acquired through a combination of means, and what the administration has said is, they would like to look at a combination of ways to do it. What they do not support is buying this land from the Land and Water Conservation Fund. What they are saying is, we ought to get all the parties together, and we ought to look at whether or not there are options—for example, some use of land exchanges, money that might be available through the State of California, money that might be available, or values that might be available from military bases that are being closed, which would not require direct appropriations and funding.

Mr. DOOLITTLE. They involve, don't they, using accounting; it all involves value that is transfer of some kind, don't they?

Mr. LEONARD. That is correct. The administration's position is that they support that view; they believe that exchanging values of the Federal Government for the acquisition of these lands is a supportable basis.

Mr. DOOLITTLE. I appreciate your answer to that.

Mr. ROSE. Thank you. The gentleman's time has expired.

Mr. Leonard, isn't it true that the previous administration made a budget request of about \$11 million to start the process of acquiring these Headwaters?

Mr. LEONARD. That is correct.

Mr. ROSE. So you weren't surprised when this legislation was introduced; you knew the previous administrations had even asked for that money?

Mr. LEONARD. That is correct.

Mr. ROSE. OK.

Mr. Dooley, did you want to ask anything?

Mr. DOOLEY. I would—perhaps just briefly, on the cost side of this. The estimates that you presented in your testimony, where you encourage the exploration of a number of alternatives in order to finance that. Does your agency have any expectations on what role the Government will be playing in terms of providing the financing?

Mr. LEONARD. Well, the hope is that we can find some partners out there who will share the cost; as Mr. Hamburg has indicated, the State of California is considering a bond issue with a major driving part being acquisition of the Headwaters Forest. There are a number of organizations out there who historically have funded land acquisition who are concerned about what is happening on the Headwaters Forest. So the potential of putting together a package, we think is well worth exploring.

Mr. DOOLEY. In terms, though, of enacting legislation that is basically going to bind the Federal Government into making a commitment to purchase the land without those agreements put in place, does this not put us in a position of obligation to come up with these funds?

Mr. LEONARD. The administration is seeking negotiations among the parties to get some agreement out in front.

Mr. DOOLEY. And would it be the administration's position that they would think that that has to be done, in fact, before we would move forward with this legislation?

Mr. LEONARD. That is what they are urging, yes.

Mr. DOOLEY. So then I understand the administration's position is, until we resolve the financing part of this and what would be the financial obligation of the Federal Government, you would be hesitant to support this legislation?

Mr. LEONARD. The administration has not supported the legislation. They do support the goals of the legislation. They are suggesting that the parties sit down and try to put together a package.

Mr. DOOLEY. Thank you.

Mr. ROSE. Mr. Leonard, what would you say if I told you that Mr. Lyons' office tells me that they are going to send over a letter for us to put in the hearing record, saying that they support this legislation?

Mr. LEONARD. It would be news to me.

Mr. ROSE. It looks like you are about to get some news, Mr. Leonard.

[The letter follows:]



DEPARTMENT OF AGRICULTURE
OFFICE OF THE SECRETARY
WASHINGTON, D.C. 20250

October 13, 1993

The Honorable Charlie Rose
Chairman, Subcommittee on
Specialty Crops and Natural Resources
House Committee on Agriculture
105 Cannon H.O.B.
Washington, D.C. 20515

Dear Mr. Chairman:

I am taking this opportunity to submit the Administration's written testimony on H.R. 2866, "The Headwaters Forest Act" and to re-emphasize the Administration's strong support for the goals and objectives of this legislation.

I am aware of the cost concerns associated with the legislation as presently drafted but do not view this as an obstacle in working with the Congress to accomplish the goals of this proposal as it moves forward through the legislative process. The Administration stands committed to enter into aggressive negotiations with the involved parties to solve these problems.

Thank you for your consideration of my interest in this matter.

Best personal regards.

Sincerely

A handwritten signature in dark ink, appearing to read "James R. Lyons", with a long horizontal line extending to the right.

James R. Lyons
Assistant Secretary for Natural
Resources and Environment

JRL:mew

Mr. DOOLEY. Mr. Chairman, I haven't seen this letter.

Mr. ROSE. I haven't either, but the staff tells me that it is coming.

Mr. DOOLEY. Without any provision for what the financing of this legislation would be?

Mr. ROSE. I haven't seen the letter; I can't say. But if they support this bill, then they support finding a way to pay for it.

Mr. DOOLEY. Thank you.

Mr. ROSE. I excuse the panel now and thank you very much for your presence.

The next panel is Ms. Cecelia Lanman, the project director of the Environmental Protection Information Center of Humboldt County, California; Ms. Kathy Bailey, chair of the State Forestry Committee, Sierra Club of California, Boonville, California; Dr. William Stewart, senior research associate, Pacific Institute for Studies in Development, Environment, and Security, Oakland, California.

I would ask that you remember, all three of your statements will be made a part of the record in their entirety. If you would summarize, please, for us what is in your statements, we thank you very much—in the interest of time.

I think you have heard what has gone on here today, and I have just been told we are going to get a letter indicating that the administration supports this so, please, Ms. Lanman, if you would proceed.

Ms. LANMAN. Is it OK if Ms. Bailey starts first?

Mr. ROSE. That is fine.

STATEMENT OF KATHY BAILEY, CHAIR, STATE FORESTRY COMMITTEE, SIERRA CLUB, STATE OF CALIFORNIA

Ms. BAILEY. Thank you for the opportunity to testify this morning on behalf of the Headwaters Forest Act. My name is Kathy Bailey, and I am the chair for the California State forestry committee of the Sierra Club.

I wanted to just begin my remarks by going back and responding to one thing I heard in the previous panel that I wanted to clear up for people from out of State. California has a zoning for timber production called the timber production zone, and that changes how tax moneys come to the State on timberland. It is not based on the assessed valuation of thousands of dollars per acre. The taxation comes at the time the timber is cut in a yield tax.

There is a very small \$1.35 per-acre-tax on the land itself, but the vast majority of the taxation comes at the time of harvest.

Sierra Club joins with the Wilderness Society and the National Audubon Society in supporting the Headwaters Forest Act because it provides the only foreseeable chance to maintain this significant portion of the environmental heritage of the redwood region. We specifically support, at a minimum, the 44,000-acre acquisition area and the bill's focus on reestablishing the links between the virgin, uncut blocks of forest which remain in order to enhance the habitat value of the area.

Aside from its parkland, the redwood ecosystem falls almost entirely under the jurisdiction of the California State regulatory system. In theory, California's forest regulation system should provide reasonable protection for the redwood ecosystem. We have what

many consider to be some of the strongest environmental laws in the country. However, year after year, the redwoods have relentlessly been diminished while top policymakers turn a blind eye to the need for direction. This leaves agencies arguing among themselves about what to protect and where to protect it.

Where I live a few hours south of the Headwaters area in Mendocino County, what used to be the heart of the redwood empire, we have only a few small blocks of virgin forest left, the largest being only a few hundred acres.

While State bureaucracies send memos back and forth, the 60- to 100-year-old trees are going. Along with the forest, we have lost a once significant fishery resource with streams silted up and overheated beyond the tolerance of salmon and steelhead.

And now that we are almost out of trees, we are almost out of timber employment as well. I believe the county is down to just four mills now. One of those is quite small, and one of them has already announced that they plan to shut down for part of the winter.

We need the Headwaters Forest Act because our State government has failed to come to grips with how to maintain a sustainable forest economy, one which balances employment with protecting important public trust resources like water, wildlife, and the interconnected fabric of life.

The reason that we believe 44,000 acres are necessary to meet the goals of the ecosystem management in this area again is the unfortunate failure of the State's regulatory program. If we simply create a 3,000-acre island, you can count on the surrounding area being reduced to a very young growth forest in the next 10 to 15 years. There is nothing in State rules to prevent this from happening, and Maxxam's debt load mandates that it will happen.

If you protect only the 3,000 acres, you will have created a very nice tree museum and, with luck, marbled murrelets will continue to live there. However, by going ahead and buying the surrounding areas, you will have a reasonable chance of maintaining a viable ecosystem where wildlife of many kinds can migrate over larger areas and maintain a viable genetic base and where the forest water cycle and forest nutrient cycle can be maintained.

I believe this area, which lies between existing parkland and creates a link between them, would have been considered for purchase long before now if we had realized the threat from the Maxxam Company takeover.

I want to close with some remarks about endangered species. Although we talk a lot about them, Headwaters isn't just about marbled murrelets or spotted owls or Olympic salamanders, tailed frogs or the red tree vole. All of these creatures are important; I personally don't believe they should be allowed to die out.

But beyond that, the Headwaters Forest Act is about maintaining a viable and vibrant part of our natural heritage. We are just human; we do not have the world and every little part of it figured out. Ten years ago, no one outside of forestry school had ever heard of the Pacific yew tree. Today, women are recovering from cancer because the secret of Taxol was recognized.

Maybe these forests hold nothing more for the human race than their majesty, their trees towering taller than the Capitol dome, al-

most as wide as the table I sit at, and having lived these last 70 generations; but maybe they hold even more meaning for us, and it is just waiting to be revealed. We simply don't know. But I do believe that future generations of American people will thank you for your help in maintaining this wondrous part of our world.

Thank you.

[The prepared statement of Ms. Bailey appears at the conclusion of the hearing.]

Mr. ROSE. Ms. Lanman.

**STATEMENT OF CECELIA LANMAN, PROJECT DIRECTOR,
ENVIRONMENTAL PROTECTION INFORMATION CENTER**

Ms. LANMAN. Thank you, Mr. Chairman and members of the subcommittee, for the opportunity to testify today in support of the Headwaters Forest Act and for your careful questions and concerns about the redwood forest ecosystem.

My name is Cecelia Lanman, and I have lived in Humboldt County for more than 16 years, where I have owned and managed forestland. My children go to school with children of logging families who used to work in the many mills that dotted our watersheds in the early 1950's. I am currently the project director for the Environmental Protection Information Center; I have served as a member of the board since 1982.

As you heard, the ancient forests of California's north coast are unique among our Nation's major forest bioregions. Unlike the Klamath and Sierra forest bioregions, which were mostly within Federal jurisdiction, the coastal low elevation forests are predominantly on private lands and are under intensive corporate management.

You have heard that we have more than enough forests locked up in California, yet no one has said that 267,000 acres of redwood parkland—the majority is second growth—and only 76,000 of ancient redwoods remain in these fragmented groves within the park system. There is an ecological crisis in the redwoods, with 98 percent of the original ecosystem gone, converted to second growth, which will take thousands of years to recover the original structure and ecological processes associated with these ancient forests.

These structural features, such as large, standing, dead trees, downed woody debris on the land and fallen logs in the streams, multiple-storied canopies in which rich lichens grow and the soil which is alive with microrhizome fungi are all important to maintain the ecological processes of the forests.

Many scientists now say we should look at the ancient forests as blueprints on how to manage our forests into the future. We need to maintain these cycles in order to have healthy productive forests for future generations.

It is clear that in this ecosystem parks are not enough. The island of the Headwaters Forest area lies between Redwood National Park and the Humboldt Redwoods State parks and provides an important link for genetic significance, especially for the marbled murrelet and also for the recovery of many other species associated with this forest. The fate of the murrelet is tied closely to these coastal ancient forests and what happens to them.

I will now talk to you about what has happened over the last several years as I have been working with EPIC. As I was president of EPIC, Maxxam took over the Pacific Lumber Company and announced they would systematically liquidate all of their old-growth forest holdings within 20 years. They weren't kidding. Since the takeover, they have logged off more than half of the virgin forest that was part of their holdings, some of which was known to be marbled murrelet nesting areas. They are already gone; the experiment has already happened. To protect the remaining ancient groves and species dependent on them, our organization was forced to sue Maxxam, and State and Federal agencies more than eight times since 1987.

Under the Forest Practices Act in California, the industry can appeal to the board of forestry if they don't like the decision that has been made on a particular logging plan; but the public has only one recourse, and that is to go to court and try to get protection on behalf of the public interest.

In many of our cases, the State agency and biologist and even the attorney general have agreed with us, and they have not appealed to the higher court. They have even made some efforts to address their failure to adequately consider the issues of wildlife and fisheries in California. But for many years, Pacific Lumber refused to conduct the wildlife surveys that the California Fish and Game Department asked them to conduct so that they could create mitigation measures to offset the impact that logging would have on these species and on the fisheries, the watersheds and the other public trust resources.

As early as 1988, we asked the agencies to require a full environmental analysis of Maxxam's planned logging of the forest areas. Unfortunately, this never happened and many of the resources have now been destroyed.

Maxxam has worked aggressively to isolate the ancient forest groves and attempt to reduce their value as wildlife habitat, so they would not be prohibited from logging these areas by wildlife agents. The worst example of this bad faith occurred during two illegal logging examples in Elk Creek in 1992. Pacific Lumber went in and cut 20 acres of the grove before they even completed the marbled murrelet survey that they promised the board of forestry they would complete. It is based on their promise that the board of forestry approved this planning in Elk Creek.

Although we have temporarily halted this destruction of Elk Creek, through filing three lawsuits, it is only an interim strategy; and indeed we do need legislation to finally protect this habitat for these species. In fact, a P.L. forester, maybe 3 weeks ago or so, threatened our litigation coordinator that they would go in and cut Elk Creek the moment a stay would be lifted if that were to happen in the courts. And yesterday John Campbell testified before the committee that they had an approved logging plan in Elk Creek.

We had to take this very seriously because, based on our past experience, the forest—the U.S. Fish and Wildlife Service and the California Fish and Game Department will not take action to stop a take of the species as it is occurring. In fact, it seems they will not even prosecute after the fact.

Under the Endangered Species Act, if conviction is made, the Fish and Wildlife Service has the discretion to deny Pacific Lumber Company the privilege of a take permit under the habitat conservation plan. Perhaps this is why it is a very sticky area to talk about prosecuting them for their illegal violations.

At any rate, I believe H.R. 2866 will require sustainable management of these lands.

The rehabilitation of the logged lands is essential because they form the linkages between the core areas of ancient forests, and as we have heard over and over, agency biologists are increasingly concerned about the loss and impoverishment of biodiversity, and the lack of "functional element" in the managed landscape, biodiversity, and functional elements that are necessary to keep our forests healthy.

Under the jurisdiction of the Forest Service, the management plan would be developed with full public review and input, which we have not had under the California Forest Practices Act, and our local communities would be involved in determining their future. Removing Maxxam's control over this priceless national treasure is vital to the long-term productivity and economy of our region.

Please vote yes on H.R. 2866. With your vote of confidence, Congressman Hamburg can open negotiations with a meaningful vision and work toward a solution which will reflect concern for the long-term health of the forest and our timber-dependent communities.

This is the first step toward ending the timber wars in northern California. The Headwaters Forest Act offers us this last chance to protect vital and rich species, as well as turn the tide in the decline of our timber-dependent communities in northern California.

Thank you very much.

[The prepared statement of Ms. Lanman appears at the conclusion of the hearing.]

Mr. ROSE. Dr. Stewart.

STATEMENT OF WILLIAM STEWART, SENIOR RESEARCH ASSOCIATE, PACIFIC INSTITUTE FOR STUDIES IN DEVELOPMENT, ENVIRONMENT, AND SECURITY

Mr. STEWART. Mr. Chairman and subcommittee members, thank you for the opportunity to appear before this subcommittee to discuss the Headwaters Forest Act. My name is William Stewart, and I am presently a senior research associate with the Pacific Institute in Oakland. I was requested by Representative Dan Hamburg to summarize some of the key economic trends regarding forest and local employment in the Headwaters Forest area.

I recently completed a detailed analysis of the relationship between timber harvest, timber jobs, and the local economies using county level data covering the past 20 years across the State of California. The econometric models I developed for this analysis highlight two fundamental trends not captured in the standard models built upon requirements in the 1970's, rather than the 1990's.

Since the supporting evidence is in my statement, I would just summarize two of the main trends.

The first key trend is the impact that new investment has on jobs in the forest industry. Even though harvests in the late 1980's

equaled those of the late 1970's, new investment essentially replaced labor in the sawmilling sector which—it created jobs in the manufacturing sector.

Remanufacturing involves adding value to basic lumber, to produce products such as specialty timber, doors, windows, and cabinets. The net loss of jobs on the north coast of California has been largely—in part because this region has lagged behind other parts of the industry in investing in new remanufacturing plants and product lines.

I would like to give an example of a successful transition from an old-growth-dependent industry to one involving the remanufacturing of new wood products. Last year, I conducted a survey of wood remanufacturing firms across the State of California. The owner of one firm I spoke with, during the 1970's had one product. She produced large plankings from old-growth redwood to make house siding for her market in Hawaii.

During the 1980's, the supply of old-growth planks totally dried up. However, she did not have to lay off one person in the 110 people she had employed. During the 1980's, she made a successful transition to a totally new range of different products that could be made from old-growth redwood—from young growth redwood and Douglas-fir. This type of job growth is the only strategy that has proved successful on a regional level in creating more timber jobs in the State of California.

The second key trend not captured by the standard view of forest counties is that the forest industry no longer dominates the local economies as it once did. While slightly more than 8 percent of Humboldt's workforce is in the timber industry, the economic stimulus provided by the timber industry is nowhere near the estimates of one-half to two-thirds that will be mentioned in these proceedings. When all sources of income are accounted for—this includes wages, Social Security payments, Medicare, retirement benefits from interest and dividends—the role of the timber income has dropped substantially.

In the early 1970's, \$1 out of every \$3 of economic stimulus in the north coast region came from the timber industry. By 1990, it had dropped to \$1 out of \$9.

Most evidence also suggests that the new residents who have brought in much of this new income have moved to this area because they value the high-quality environment. The much discussed income or employment multipliers that drive the creation of local jobs is essentially the same for both timber—

Mr. ROSE. Let me ask you a question. I know I have had to be away for the first part of this, but—what is the point you are trying to make by this. The basic thing here seems to be they have the trees and you don't.

Now, what point—what are you adding to that?

Mr. STEWART. What I am saying is in historic—

Mr. ROSE. I know it may not be as important. Are you trying to say this is not as important an item for the local economy as it used to be?

Mr. STEWART. I am saying that the impact of taking a large portion of this old growth out of the timber inventory into wilderness will have a significant local impact in terms of—less lumber will

be produced. What I am pointing out is, the size of that impact is probably one-half of what has often been estimated for, say, the expansion of Redwood National Park in the 1970's or even some of the estimates for the Pacific Northwest, and that—when we add up the total cost including the purchase price over time, the impact on the local economy in terms of dollars will probably be more important or can be more important than the initial costs.

Mr. ROSE. I see.

Mr. STEWART. So I think one example of this in the late 1970's, as has been mentioned, Redwood National Park, there was an expansion of that park in the same county. At that time, there were many estimates made that this inclusion of 70,000 acres of old growth into that park would create an economic catastrophe in Humboldt County.

When I compared the projections that were given in congressional testimony in 1977 with the actual pattern of job loss in the county of Humboldt, Humboldt actually experienced no net loss of jobs and no increase in unemployment relative to other counties in the State that also experienced the national recession, but did not have a national park.

Mr. ROSE. Well, so they may not have experienced any economic loss or very little.

Mr. STEWART. Right. I mean, in the early 1980's, all counties went through the national recession, but there was no relative drop in the whole county of Humboldt.

Mr. ROSE. What went to the value of these trees during that period of time?

Mr. STEWART. The value of trees are very much tied to the business cycle; they dropped significantly from the peak in the late 1970's and are only now approaching levels, in real terms, close to what they were in 1977.

In conclusion, I think the record from Humboldt County clearly shows that guaranteeing old-growth redwood logs for sawmills is a very weak economic strategy for the local economy. Job growth within the forest industry depends on new investment in remanufacturing that can use both young and old-growth logs. Job growth in the economy as a whole depends on the expenditures and investment patterning of immigrants and retirees who have come to this region because they value the high quality of environment there.

Thank you. I am glad to answer any questions you have.

[The prepared statement of Mr. Stewart appears at the conclusion of the hearing.]

Mr. ROSE. Mr. Farr.

Mr. FARR. I have a question of Ms. Bailey.

Does the land in question—does the county put a timber harvesting zone on that land?

Ms. BAILEY. Yes, sir. I believe it is all in the timber production zone.

Mr. FARR. So the revenues from that to the counties and schools are, and cities are, derived by that process set up, that you outlined?

Ms. BAILEY. That is right. The major portion of the money comes at the time of harvest.

Mr. FARR. And that the property that is wanted to be acquired, only a small portion of that—the old-growth redwoods—will be designated wilderness, so that there will continue to be timber harvests under the rest of the Forest Service-managed land?

Ms. BAILEY. Yes, sir, that is my understanding of the intent of the bill.

Mr. FARR. Now, does that change the tax structure at all when it is under Federal ownership?

Ms. BAILEY. Yes, it does very much. And I am not wholly familiar with how the Federal tax, back to the county, comes.

Mr. FARR. But there will continue to be marketable timber off the land, which will derive local revenues from the mills and so on?

Ms. BAILEY. Yes, sir.

Mr. FARR. Mr. Chairman on my own time, it is interesting—we have an old expression, I think, those of us who live in sensitive ecological areas—I know in Congressmen Doolittle's and Pombo's districts there are some very beautiful areas like Tahoe and Yosemite, and we sort of talk about California as the area of "If we build it, they will come."

I think the one thing we often overlook is the fact that the ancient redwood forests, which are relatively not that accessible, certainly not as accessible as some of the better-known parks, but maintain a part of nature that is very difficult to put a value on—and in California, with one out of nine people in the United States living there, the pressure in that State is always to try to manage its incredible natural resources versus the need for development and use of those resources for economic purposes.

I think this bill is sort of symbolic of that battle in California; and the question is, do you have a willing seller and a willing buyer, and that gets down to how much money you are going to have to pay for this. And I think that what you indicated earlier, the Chair—and the author indicated that the purpose of this legislation is to try to seek a path where all parties of interest can sit down and negotiate with someone at the table, and obviously the Federal Government has to be one of those partners; you can't leave it up to the State to be alone because the management scope here is essentially within the Federal jurisdiction.

I think we are going to have other battles like this in California in each of our districts. I represent Big Sur; not that we are interested in federalizing Big Sur, but there is a national forest in Big Sur, and they are interested in acquiring some more land, and I know both of these gentlemen represent areas of unique environmental concerns.

And I would hope that as the subcommittee considers this bill, that—essentially we have to take faith walks—that if we can encourage the proper parties to sit at a table, that reasonable people can come up with a reasonable conclusion of what to do with it. And I think the bill moves in that direction.

I appreciate the testimony of those that are here today to point that out.

Mr. ROSE. Thank you very much.

The gentleman is recognized.

Mr. POMBO. Thank you. I just had a couple of questions, too, one to Ms. Bailey.

Do you believe that privately held forests can be managed in a way of sustainable yield? You talked a little bit about job loss in the area and what has happened in the area that you live in. Do you believe that privately held forest can be properly managed?

Ms. BAILEY. Yes, sir; I do. I don't believe it is being done too much in California right now.

I would like to put a caveat on that. I don't believe it is appropriate at this time to be cutting any more virgin redwoods. I think it is not a renewable resource, and I think they need protection. But the second growth forest, yes, I think it can be done and should be done.

Mr. POMBO. So in your opinion, the only way to protect this area is for some governmental agency to hold title to it?

Ms. BAILEY. Yes. Our experience so far in California has been—for instance, let me tell you about where I live, which is under the same jurisdiction with these State board of forestry regulations. Our major timber holder, Louisiana Pacific, in Mendocino County testified to the board of supervisors at one point last year that 85 percent of their resource base was in the 35-year-age class. Now, this is an area where trees yield a maximum amount of timber between 80 and 110 or—20 years old.

Eighty-five percent of Louisiana Pacific's forestland in Mendocino County is at the 35-year-age class; there is not much employment in the 35-year-age class for trees. It is going to be a long time before those trees come back to production, and that is being very obviously reflected in mill closures in our area.

Mr. POMBO. Do you feel that by the Government owning this property it will help the mill closures or the job situation?

Ms. BAILEY. I think in the long term it will, yes.

The old growth situation is a piece separate. I think the Federal Government has taken the lead in sustainable management, and I think over time that the Federal Government, at this moment, appears to be doing a more sustainable job of forestry than what is appearing under purely market conditions.

What is happening in California is that it is a totally market-oriented cut rate and so back in, say, 1989 when there was a very high demand—where I live, we saw crews coming from all over the State, and the forest was leveled in a very short period of time, the second growth forest; and then when the bottom dropped out, most of those people went away. And now that the economy is starting to come back again there are so few trees left that our local people are having to go farther and farther afield for employment because there was this frenzy of cutting a few years ago. So it is not sustainable. It is boom and bust, boom and bust; and that has been the pattern under the market-oriented cutting.

Mr. ROSE. Mr. Pombo, if you can—we have a vote—we are coming back, but do you want to go on and finish now, or wait until we come back?

Mr. POMBO. It is probably better if I wait until we come back, then.

Mr. ROSE. The gentleman has used about 2½ minutes, and we will go now and vote.

The subcommittee will stand in recess until we answer this vote. Thank you.

[Recess taken.]

Mr. ROSE. The subcommittee will please come to order.

When we recessed our panel of witnesses, Ms. Lanman, Ms. Bailey, and Dr. Stewart, were fielding questions. And the gentleman from California, Mr. Pombo, had 2½ minutes remaining for his questions.

Does the other gentleman, Mr. Doolittle, seek time?

Ms. BAILEY. Pardon me, Mr. Chairman. If it would be possible for me to complete my answer to Mr. Pombo.

Mr. ROSE. Go ahead.

Ms. BAILEY. Thank you.

I wanted to also point out that Maxxam is in a very unique position, that has them not only looking at the California State Regulatory System—Maxxam earlier this year underwent, or the Pacific Lumber part of Maxxam, underwent a total refinancing structure. And what they have done is they have issued more than 300 million dollars' worth of a security called timber collateralized note. And these notes make the trees security for the notes.

And I would like to add into the record, if that would be possible, an article by Allan Sloan of New York Newsday, as reprinted in the Los Angeles Times, which explains how these notes work. Because of the timber collateralization of this——

Mr. ROSE. Without objection, so ordered.

[The information follows:]

LOS ANGELES TIMES

DEALS / ALLAN SLOAN

A Shady Bond Proposal That Makes One Pine for the 1980s

Look Up in the sky! It's a bird! It's a plane! No, it's Superboy. Or, rather, it's Superboy's brother, Charles Hurwitz, with a high-flying 1980s debt deal.

Both the 1980s and Superman were presumed dead. But the Man of Steel is stirring in his crypt. And this Man of Debt is back again, trying to borrow almost a billion dollars from the same place he disappeared to in 1980: that awe-stricken time when almost anyone could get 100% junk bond financing to buy almost anything.

Hurwitz is famous—some would say infamous—for one of these deals, his junk-financed raid on Pacific Lumber Co. in 1988. After buying the company, which owns part of the redwood forest in Northern California, Hurwitz stepped up the cutting rate to help generate cash to pay for his junk bonds. Environmentalists have been after him ever since, as have the U.S. Labor Department and the Interior Department.

Hurwitz's Maxxim Inc., a New York Stock Exchange company that recently filed for Chapter 11, owns Pacific Lumber and 87% of Kaiser Aluminum, both financed by heavy borrowing. The problem with borrowing money is that you have to pay it back. Which is why Hurwitz is peddling new bonds. He's not alone. The market for junk is still playing by '80s rules. He's getting 100%-plus financing.

Kaiser is currently marketing \$400 million of new bonds to buy back \$200 million of old bonds due in 1995 and to pay \$40 million

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of associated costs. Why borrow \$400 million when you need only \$380 million? Why not? It's there, isn't it?

After Kaiser, Hurwitz will move on to the main event, \$579 million of new cash to put the axe to Pacific Lumber's \$310 million of junk debt. Almost all of which is due by 1996. Pacific Lumber has about the same amount of paying off the same amount of paying off the same amount of operating revenues as a redwood has of growing legs to avoid becoming a picnic table.

To solve this repayment problem, Hurwitz is doing what they teach in junkmeister schools: borrowing. Why borrow \$579 million to repay \$310 million of bonds? So he can put fees, prepayment penalties, and other junk on the table-like paying off your Visa card by mortgaging your house. Not to mention my favorite: \$25 million of the borrowing would go for Pacific Lumber to pay a dividend to Maxxim. We'll see if bond buyers go for that.

Even though Pacific Lumber would owe \$8 million more than it owes now, its interest rates would be lower because interest rates have fallen so far. Pretty slick.

The heart of this deal is an absolutely brilliant new security: \$384 million of tree-backed bonds. If people buy securities backed by credit cards and mortgages, why not give them tree-backed ones? Instead of having bonds come due in big pieces as they do now, Hurwitz pays them off in installments as he cuts the trees. The tree bonds are so complicated they almost make you pine for plain old junk. To oversimplify, Pacific Lumber will turn over most of its forest land to a new subsidiary



MICHAEL WELLS

Even though these are the 1990s, Charles Hurwitz is still playing by '80s rules: He's getting 100%-plus financing.

called Scotia Pacific. Scotia will sell the bonds, and pay them off with money it gets from selling logs to Pacific Lumber, which will sell them to users.

The idea is that in 20 years or less, the bonds will be paid off, and Scotia Pacific's remaining trees will be debt-free.

Any leftover cash goes to Pacific Lumber, which will use it to help pay interest on \$215 million of junk it's selling as part of the deal. If Hurwitz misuses the payments, you own his trees. Don't forget to bring your chain saw.

Buyers of the newfangled bonds could get stuck up a tree by any number of knotty problems. The price of redwood, which has soared, could plummet. So could demand. The marbled murrelet, an obscure bird that nests in Hurwitz's trees and has been declared endangered by the Interior Department, could force logging cutbacks in a spotted owl. Some of the numerous lawsuits against Pacific Lumber could succeed.

But there are lots of safeguards built into the bond, including a 10% cash reserve in a special

account. (That cash, \$33 million, would partly offset some of the company's added debt.)

Hurwitz and his advisers at Salmon Bros., who logged big hours designing these bonds, expect an investment-grade rating on them, and to pay only around 9% interest.

It's no accident that \$300 acres of virgin redwood—the so-called Headwaters property—are staying with Pacific Lumber. That's the land the company denies wanting to sell to the federal government. But, as I wrote last year, Hurwitz lobbied Congress for favorable tax treatment on the trees he says he doesn't want to sell. If that sale goes through, Pacific Lumber is home free.

Hurwitz, of course, is still enmeshed with other parts of the federal government.

The Federal Deposit Insurance Corp. is considering suing him (and others) for \$548 million over the failure of Texas Savings & Loan owned by a company that Hurwitz once owned.

The Labor Department's pension watchdogs are suing because Pacific Lumber terminated its pension plans and replaced them with annuities from Executive Life, which helped finance the takeover and later went broke. (Hurwitz denies any wrongdoing, and Pacific Lumber has so far made up its mind to sue.)

Hurwitz, though, is a survivor. He's refinancing now, even though it's costing him fat prepayment premiums, because money may not be available when he needs it. You can kill Superman with an illustrator's pen. But Superheroes like Hurwitz are made of tougher lumber.

Rep. Stark's Bill Would Hurt Pacific Lumber's Timber Bonds

Washington, March 18 (Bloomberg) -- Pacific Lumber Co.'s ability to meet payments on its unusual timber-backed bonds could be seriously impaired if a bill introduced today becomes law.

The legislation was introduced by Rep. Pete Stark (D.-Calif.), a senior member of the tax-writing House Ways and Means Committee. A staffer for the Congressman said no other lawmakers are currently sponsoring the bill.

Under the bill, two categories of redwood timber would be subject to a 75% excise tax. The first category is any redwood tree over 150 years old. These trees make up the old-growth forest. The second group is any tree used as collateral for a bond.

This second provision is aimed at Pacific Lumber, the world's largest producer of high-quality redwood lumber. The Scotia, Calif., lumber company owns about 196,000 acres of redwood and Douglas fir in foggy northern California, the only place in the world where redwood can be commercially grown.

Pacific Lumber was acquired by a unit of MAXXAM Inc. in 1986 after a \$900 million hostile takeover. The effort was led by Texas investor Charles Hurwitz, chairman of the board and chief executive officer at MAXXAM.

After the acquisition, Hurwitz became a director of Pacific Lumber and the company increased its annual lumber shipments by 58% to pay its debt. Hurwitz has since become chairman of the board of Pacific Lumber.

Now Pacific Lumber is trying to pare its interest costs. Last week, Scotia Pacific Holding Co., a unit of Pacific Lumber, sold \$385 million of timber-backed notes due in 2015. Investors who buy the bonds would get 179,000 acres of redwood and Douglas fir if Scotia defaults.

Most of the proceeds from the timber-backed bonds and a separate \$215 million issue of 10-year senior notes by Pacific Lumber will be used to pay off Pacific Lumber's \$510 million of junk bonds, according to a filing with the Securities and Exchange Commission.

"Maxxam Corporation has been looting the redwood holdings of Pacific Lumber Company from the day it took over the company in a corporate raid," said Stark.

"Timber harvesting on a bond repayment schedule could be like killing the goose that laid the golden egg," he said.

In a related issue, the Sierra Club and the National Audubon Society petitioned the SEC on Feb. 1 to examine the financial and environmental repercussions of Hurwitz' takeover of Pacific Lumber.

The conservation groups said the fate of the Headwaters Forest, the world's largest unprotected redwood forest, is at risk.

-- Simon Walsh (202) 393-1038
mk

(For more news on MAXXAM Inc.: MXM Equity CN; on the environment: NI ENV; on paper products: NI PAP; on California: Muni N CA; on construction: NI CST.)

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Ms. BAILEY. Thank you.

At the beginning of 1993 the Maxxam Corporation restructured Pacific Lumber and issued more than 300 million dollars' worth of timber collateralized notes, secured by the timber itself.

That is going to make it imperative for Maxxam to liquidate those trees to pay off the timber—collateralized notes so sustained yield won't come into it.

Mr. ROSE. All right.

Ms. BAILEY. Thank you, sir.

Mr. ROSE. Mr. Pombo is here now, and we are short of help. I will time you 2½ minutes.

Go ahead, sir.

Mr. POMBO. Thank you.

Mr. ROSE. Or thereabouts.

Mr. POMBO. I had another question for Ms. Lanman.

In your opening statement, you said that this would put an end to the timber wars, and if I am misquoting you, I am sorry, but put an end to the timber wars in northern California. Can you expand on that?

Ms. LANMAN. Yes, I can. Prior to the takeover, there was very little controversy about the logging practices that were occurring on the north coast. There had been a few isolated incidences of citizens bringing suit because of damage to water quality, fisheries and wildlife, but after the takeover, there has been an increase in awareness and interest, there has been an increase in public participation. And because of the massive liquidation of this irreplaceable resource, it has erupted to the point where people—and because of the failure of the regulatory system to protect the resource, people have had to consistently go to court to stop the degradation of these areas. And it has even led to people going into the woods to stop logging, with putting their bodies between bulldozers, and because of the failure of the system to adequately protect the resource until the issues are heard or until the wildlife biologists at least agree that there won't be irreversible damage to the resource.

I believe that this bill is a model for how we can sit down and negotiate and also how we can begin to make a transition into a restoration-based economy in our region, which we feel is absolutely necessary at this point. And to me, from my perspective, the timber wars erupted right here in the region because of the fact that it is intensively managed, more than 80 percent of the land base is intensively managed in the redwood region by corporate interests. I believe, this is a first step toward beginning to resolve that problem. And to begin to dissolve the polarization between people in the community over this issue.

Mr. POMBO. Will it end, will the timber wars end because the timber industry will end?

Ms. LANMAN. No, sir. The timber wars will end when we are able to make a transition to a sustainable economy, including forest products and including value-added products, as Mr. Stewart has talked about, and including diversifying our economy.

We have never worked to stop the logging industry. We have simply worked to enforce existing laws in the State and our record shows that very clearly. So we support sustainable logging and we

hope to see that continue far into the future. In fact, we have the best interests of the people of the community in mind in our work.

Mr. POMBO. Thank you.

Mr. ROSE. Any other questions?

Mr. HAMBURG. Just one, real quickly.

Ms. Lanman, you spoke just recently, of the failure of the regulatory system to protect the resource. And one of the things that you have referred to and that Ms. Bailey has referred to, is the regulation of the harvest of this old-growth timber under the California Department of Forestry and the board of forestry. And I would like to ask you if you would just for the subcommittee's visual enlightenment, if you would just show us the photograph that was taken, the aerial photo that was taken in September of 1991, of the 4,400-, or 4,500-acre Headwaters Forest and just describe briefly for us what has happened there over the last several years under Maxxam's management?

Ms. LANMAN. Here is the photograph. As you can see from the photograph, the very dark areas represents the intact ancient old-growth forest, the closed canopy, and the massive trees that are there. And the surrounding areas obviously have been logged quite severely.

Mr. HAMBURG. This is within the acreage that Maxxam has said they want to sell or they are willing to sell to the Federal Government?

Ms. LANMAN. That is correct. This area here approximately is equal to the area appraised by the U.S. Forest Service and would equal the 4,400 acres. This is the most pristine intact area of ancient redwood forest at this elevation in the entire State.

This drainage, the little south fork of the Elk River, has never been logged. In fact, it was owned by the State of California in the early 1940's and we are looking into how that transfer took place at this time.

But at any rate, I want to address the question of the logging practices. Here you will see a clearcut that was filed in 1986, by the Pacific Lumber Company, and it was cut, a clearcut, in 1987. It is at the headwaters of Salmon Creek. And as we have heard in testimony, the headwaters are very important in terms of protecting the downstream fishery's resource. This is obviously not going to sustain the fishery's resource to be clearcutting in that manner.

In addition, you can see a road segment extending off of that. In 1986, when we were in court, the judge held up Pacific Lumber's continuing building of this road. As soon as we won and the final judgment was in, the judge had overturned the clearcut they had planned, that would have surrounded this road segment. And the Department of Forestry, without anyone's knowledge, permitted the Pacific Lumber Company to get a 2-year extension on this plan and also allowed them to extend the road segment and build it into the heart of the most pristine part of the Headwaters Forest.

This was done without any public knowledge, nor was the judge or EPIC notified, even though we had just successfully litigated the clearcutting in this area. This has been a major intrusion and we believe it was very illegal, but after the fact, we haven't been able to do anything about it.

And then here on the west side was a shelterwood removal. And when you start to look closely at these pictures, you can see that there is very little difference between a clearcut and a shelterwood removal. A shelterwood removal is simply a two-stage clearcut, where you come back in maybe 3, 5, or whatever years, and you take the rest of what you left. That cut was approved probably in 1985 and finished maybe 2 or 3 years later. And as you can see from the aerial photo in 1991, there has been very little recovery of the area in terms of vegetation.

Mr. HAMBURG. Thank you very much.

I think this photograph really is graphic demonstration of what is happening under the management of Maxxam and also under the regulatory environment as interpreted by the Department of Forestry.

Thank you, Mr. Chairman.

Mr. DOOLEY [assuming chair]. Mr. Doolittle.

Mr. DOOLITTLE. Mr. Chairman, I wonder if I might ask unanimous consent to have entered into the record a letter to members of the Subcommittee on Specialty Crops and Natural Resources, by Sal Chinnici, on behalf of Pacific Lumber Company.

Mr. DOOLEY. Without objection, it will be included in the record. [The letter appears at the conclusion of the hearing.]

Mr. DOOLITTLE. Thank you.

I think you indicated that you felt that \$1 in \$9 is generated by the timber industry, and of course, we don't have them here to testify before us, but Professor John Grobey from Humboldt State University gave a different set of figures, indicated over 70 percent of the local economy is directly driven by the forestry resource.

Do you have a sense of what might account for that discrepancy?

Mr. STEWART. Yes, sir, there is a simple answer. Mr. Grobey's numbers, I presume, are based only on wage income from workers from jobs. When you look at all income coming to people of the county of Humboldt or northern Humboldt County, you would find when you include Social Security, Medicare, disability payments, interest and dividends, that percentage will drop from 70 percent. The economic stimulus, I think what he is picking up, would drop from 70 percent down to 12. The number I quoted from \$1 in \$9, is for the whole north coast, which includes Del Norte and Mendocino County, and for this region of Humboldt County, it may be \$1 in \$6, something like that, but not \$7 in \$10.

Mr. DOOLITTLE. But you are saying in order to get it down, you have to count the transfer-type payments, the social welfare-type payments?

Mr. STEWART. And people's money they have saved over their lifetime and they are spending as they are retired.

Mr. DOOLITTLE. Or they are spending as a result of being out of a job?

Mr. STEWART. That is around 5 percent of those transfer payments, sir, less than 5 percent.

Mr. DOOLITTLE. But as far as if you just—I mean would you agree with him, if you simply limited it to the wage-based income?

Mr. STEWART. I would agree with him that he has a bad model, yes. If he used the correct model, I would have to disagree.

Mr. DOOLITTLE. That is not the question I asked. If you take his assumptions and look at it from the point of view of the wage-based income, do you also agree that it is about 70 percent?

Mr. STEWART. Seventy percent of what then? What are we speaking of?

Mr. DOOLITTLE. Let's see, 70 percent of the local economy is directly driven by the forest resource.

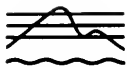
Mr. STEWART. No, sir; I disagree.

Mr. DOOLITTLE. What percentage do you think it would be?

Mr. STEWART. If we are going to talk northern Humboldt County, I would say for the whole north coast, I said earlier, it was around 13 percent. And I think for a region, if we just take northern Humboldt County, we may get up to 25 percent. But not 70, no question.

If you take his model and you run it through, the errors can go upwards of 30, 40, and 50 percent, if you look at actual data.

[EDITOR'S NOTE.—Mr. Stewart's additional information follows:]



October 15, 1993

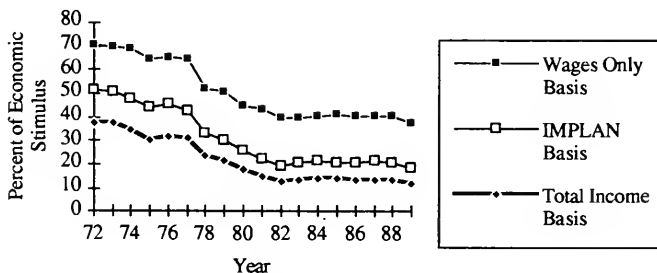
Representative Charlie Rose, Chairman
Subcommittee on Specialty Crops and Natural Resources
Committee on Agriculture
U.S. House of Representatives

Dear Chairman Rose,

During the questions after my testimony on October 13, 1993 concerning the Headwaters Forest Act, Representative Doolittle raised a number of important questions concerning the differences in the estimates concerning the role of income from the timber industry in the economic stimulus of Humboldt County. The key point is that the difference between the estimates is an accounting issue since the economic models are very similar. The figure below illustrates how three different accounting frameworks will give different estimates of the relative importance of timber related income as a driving force for the local economy. Since all personal income is accounted for in the U.S. Government's most sophisticated regional economic model -- RIMS II of the Bureau of Economic Analysis -- it seems to me that any realistic model must also account for all major sources of local income.

The different estimates depend on how much of local income is included in the calculation and for what year the estimate is made. The figure below illustrates different estimates for the percent of economic stimulus that can be ascribed to the timber industry. While it is possible to get the 70% number mentioned by Mr. Doolittle, it requires using a base year in the 1970s and disregarding all interest, dividend, social security, medicare and other government entitlement payments. Using the latest federal data and accounting for all personal income, I believe my estimate of one in nine dollars coming from the timber industry is a fair one. Technical details that explain the method follow the figure.

Comparison of Three Methods of Calculating Economic
Stimulus of Timber Income in Humboldt County 1972-1989



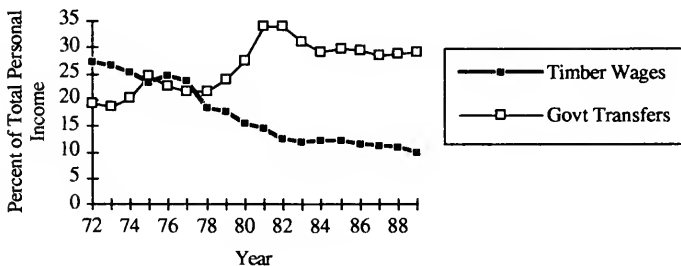
Data Source: Local Area Personal Income: California, US Department of Commerce

The standard model for modelling regional economies is the input-output model for which Wassily Leontief received the Nobel Prize in Economics. A number of modifications are done to the massive model so that it can be used with less data. The most accurate modification used in the United States is the RIMS II model developed and updated annually by the Bureau of Economic Analysis within the Department of Commerce. Another model is the IMPLAN model developed by the US Forest Service. It is updated once a decade. I used a mathematically identical approach (the identity is published in Bruce R. Billings. 1969. "The Mathematical Identity of the Multipliers derived from the Economic Base Model and the Input-Output Model in Journal of Regional Science, Volume 9, p 471-473) known as the economic base model.

In most regional economic models, "basic" income is what drives the local economy. Basic income in a rural region such as Humboldt County includes essentially all manufacturing wages; agriculture and fisheries wages; mining; interest; dividend payments; and all government transfer payments such as social security, medicare, medicaid, AFDC, and unemployment insurance. AFDC and unemployment insurance constitute less than 9% of all government transfer payments nationally (U.S. Bureau of Economic Analysis. 1990, Local Area Personal Income) and represent a similar proportion in Humboldt county.

According to the oral presentation Mr. Grobey made on his research at a seminar I attended on May 3, 1991 at the University of California at Berkeley, he modelled local economies using the IMPLAN model developed by the US Forest Service. He substituted in his own survey data from the timber industry into the national coefficients developed for the model in 1977. There are two problems with the accounting used in the IMPLAN model. The most important one is that it does not account for any government transfer payments even though they have grown consistently in Humboldt County and constituted 29% of total personal income in 1989. The vast majority of these transfers are entitlements earned by people over their earlier working lifetime when they paid into the system. The difference is even more important in terms of the calculation of the economic stimulus because these transfer payments are considered in all the economic literature to be part of the economic base. When they are excluded, the resulting calculations are off. The following figure compares the relative importance of personal income from the timber industry and from all government transfers.

Timber Wages and Government Transfers in Humboldt County

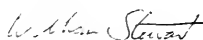


The second problem is that retained corporate earnings are included as local income. While this would be very important if we were considering the retained earnings of McDonnell Douglas in the economy of St. Louis, the role is less clear in Humboldt county. The problem is that the corporate headquarters of Pacific Lumber have been in Houston, Texas since 1986. As the October 13, 1993 testimony of John Campbell, President of Pacific Lumber showed, millions of dollars of retained earnings must go directly to corporate headquarters as a normal part of business.

Neglecting the sampling problems in his survey because not all of the firms provided full data, the only way that Mr. Grobey could have gotten a 70% figure is by counting only wage income as economic stimulus. The 70% number would have been accurate for the years before 1977. After that date other types of wages grew much faster than timber wages. It does not appear possible to get an estimate of 70% using either the accounting framework of the IMPLAN model or the full accounting framework used in the RIMS II model of the Bureau of Economic Analysis or my economic base formulation.

I hope this information helps clarify the issues raised during the hearings of October 13, 1993 on the Headwaters Forest Act.

Sincerely,



Dr. William Stewart
Senior Research Associate

Mr. DOOLITTLE. Let me ask a question of the Chair, if I may, for a minute.

Mr. Chairman, we have two different sets of figures. The other sets are coming from someone who is not a witness at these hearings.

Mr. ROSE. Who?

Mr. DOOLITTLE. He is a professor, John Grobey, from Humboldt State University. His numbers differ from the numbers of the witness.

Is there a way to get that testimony in the record?

Mr. ROSE. If you want to ask after this testimony is completed, ask that it be made a part of the record.

Mr. DOOLITTLE. Thank you.

I have a magazine article also, maybe he would send us his direct information or something. Is that appropriate to ask for?

Mr. ROSE. Yes, if it arrives at the subcommittee.

Mr. DOOLITTLE. I mean, what do we have, 5 days.

Mr. ROSE. Ten days.

Mr. DOOLITTLE. Ten days, thank you.

Mr. ROSE. All right.

Anything else?

Thank you all very much for your attendance here.

Mr. Doolittle asks unanimous consent that certain items be placed in the record at this point.

What are they, Mr. Doolittle?

Mr. DOOLITTLE. That would be material by Professor John Grobey pertaining to the impact on the local economy of the forest resource.

Mr. ROSE. All right. Without objection, so ordered.

[The information follows:]

TESTIMONY FOR THE RECORD OF THE HEARING OF OCTOBER 12,
1993 ON H. R. 2866—HEADWATERS FOREST ACT
SUBCOMMITTEE ON NATIONAL PARKS, FORESTS AND PUBLIC LANDS
COMMITTEE ON NATURAL RESOURCES
U. S. HOUSE OF REPRESENTATIVES

John Henry Grobay
Professor of Economics
Humboldt State University
Arcata, California

My name is John Henry Grobay. I am a professor of economics at Humboldt State University where I am now in my twenty-seventh year of teaching. I arrived in Humboldt in time to witness the opening shots in the timber wars as the establishment of Redwood National Park was being debated. Since then I have conducted extensive studies of the local economy and the role played in it by the forest products industry. I was a 1954 graduate in forestry at the University of Washington with later advanced degrees in both forestry and economics. I chaired the department of economics for more than ten years until just this last year. I remain an active researcher and teaching professor of economics. I have testified on numerous occasions on matters relating to the forest products industry in Humboldt County, including testimony before Phil Burton's subcommittee in the spring of 1977 related to the then proposed expansion of Redwood National Park. I relate all these things in order to establish my bona fides to present expert testimony in the present case.

My statement is submitted in response to a request made by Congressman John Doolittle after witness William Stewart stated that my figures relating to the role of the forest products industry in the Humboldt County economy showed that 70 percent of income is directly derived from the industry. His own estimate was about eleven percent. When asked about this sizable discrepancy Mr. Stewart claimed that my figure is based on only wage income while his is based on all income coming into the County. I was asked to examine Mr. Stewart's testimony and compare his data with my own studies of the Humboldt County

economy. I am grateful for the opportunity to set the record straight, and while I am at it, to render a full account of my views on this calamitous piece of proposed legislation.

Let me quickly dispose of the discrepancy first and then go on to state my views on the bill. Mr. Stewart's statement attributing such an absurd claim to me proves the hazard of making a quick-draw-shot from the hip. The first thing I did upon receiving the request was to try to identify anything I had ever stated either in writing or orally that might be construed in that way. I might have stated orally at some time that 70 percent of manufacturing sector employment is accounted for by the forest products industry, (since that figure is embedded in the data included in one of the tables in one of my studies) but I have never made such a claim for total wage and salary income. I am attaching herewith copies of several of my publications or parts of publications that bear on the role of the forest products industry in the county's economy, and I ask Congressman Doolittle to submit them for inclusion in the record or not as he sees fit, due to their length.

Documents submitted include copies of the following publications

1. Grobey, John H. et al. April, 1987. The Impact of Timber harvest levels on the Economies of Del Norte, Humboldt, and Trinity Counties, California. Economic Research Institute, Humboldt State University Foundation. ERI/SR87-1.
2. Grobey, John H. et al. December, 1987. The Contribution of the Pulp Industry to the Humboldt County Economy. Economic Research Institute, Humboldt State University Foundation. ERI/SR87-2.
3. Grobey, John H. March, 1991. The Destiny of the California Timber Industry in the Nineties. A paper presented at the 53rd annual Redwood Region Logging Conference, Ukiah, California.
4. Grobey, John H. June, 1991. The Forest Products Industry and the California Economy. Economic Research Institute, Humboldt State University Foundation.
5. Grobey, John H. 1985. "Politics Versus Bioeconomics: Salmon Fishery and Forestry Values in Conflict." in Forestlands: Public and Private. Pacific Institute for Public Policy Research, San Francisco, California.
6. Grobey, John H. Fall, 1993. Excerpts from a study titled, "The Humboldt Bay Harbor and the Humboldt County Economy: Economic Impacts of Harbor Deepening and Port Development." This study is nearing completion under contract between the U. S. Army Corps of Engineers and the Humboldt State University Foundation.

The last of the above documents constitute an Appendix to this statement. It includes charts and tables relating to Humboldt County personal income, employment and unemployment and unemployment, wage and salary income by industry sector, and Chapter V of the

referenced study titled "Analysis of the Export-Base Sectors of the Humboldt County Economy." This chapter deals with the forest products industry, the tourist industry, the fishing industry, and the agricultural sector. I offer these materials without comment since the data presented speak largely for themselves, except to note that they reveal a regional economy that is experiencing considerable distress.

I note with some interest that there are now apparently two different Pacific Institutes in the San Francisco Bay area. The one in San Francisco noted in item 5 above has been in existence for many years. The one in Oakland with which Mr. Stewart is affiliated is apparently as new as his new Ph. D. One wonders if the choice of its name is coincidental or designed to confuse people into accepting its legitimacy. I do have several specific comments on Mr. Stewart's testimony.

First, Mr. Stewart is correct in stating that the forest products industry has declined in both relative and absolute terms, but he has presented data which understate its importance and present a distorted picture. For example, in 1990, total wage and salary income in the county was \$1,041,778,000 of which approximately \$142,460 came from the forest products industry when logging, sawmills, remanufacturing, and estimated pulp mill wages are added. This constitutes 13.7 percent of total wage and salary income and 82 percent of manufacturing sector total W&S income of \$173,817,000. Note also that while the forest products industry had 70 percent of the manufacturing employment, it paid 82 percent of the wages, reflecting the fact that average wages are higher in the forest products industry than in the rest of the manufacturing sector.

Second, Mr. Stewart apparently does not include pulp mill wages and employment in his forest products industry totals. While these latter data are often not reported in official statistics in order to prevent disclosure, the data were readily provided to me for the study of the local pulp mills I conducted several years ago. But the problems with Mr. Stewart's data

do not stop there. Part of property income accruing in Humboldt County, reported by Mr. Stewart in his Figure Two as "Interest and Dividends" are attributable to the forest products industry. For example, in 1985, rent, dividends and interest directly earned by the forest products industry amounted to \$63,845,000 which constituted more than twenty-five percent of the total of \$253,006,000 for that year. It is also the case that a part of the remainder is indirectly attributable to the industry, as is a part of personal income coming from social security payments to timber industry retirees.

I have not had time to review (indeed I have not seen) Mr. Stewart's Ph. D. dissertation from which he has apparently drawn his figures on the relationships between timber harvest and employment for the county, and I do not therefore wish to quibble over his figures. However, it would appear that he did not make a couple of adjustments needed if they are going to be applied to the problem of estimating the impacts of curtailed timber harvest specifically in Humboldt County. First, head-count employment data from the California Employment Development Department must be adjusted to "full-time-equivalent workers", and second, the net flows of logs across county boundaries must be accounted for in the regression model estimating equations. These factors could help to account for his reported differences in labor productivity between the north coast and the central Sierra region.

Mr. Stewart is also correct to note that some of the employment and population losses predicted by various models did not materialize. But he misinterprets the very nature of the application of various income and employment multipliers. These multipliers are derived by applying the principle of ceteris paribus (holding other things equal) to the estimating equations by taking their partial derivatives. In other words, had it not been for the influx of refugees from southern and central California and in-migration of others driven by transfer payments, larger impacts would have been experienced. I personally have never used employment multipliers as large as 2.5. But beyond that, part of the offsetting influx of

people, and trade and service-sector activity has without question been driven by concealed segments of the economic base. Mr. Stewart seems to be suggesting that these offsetting effects are themselves the result of reduced timber harvest that need to be accounted for in the timber-industry-employment estimating equations. Such a suggestion is simply nonsense, since these effects must be regarded as independent events. The same analysis that can be used to predict job losses can also be used to show how much larger and more prosperous the community would have been had it not been for the offsets.

Mr. Stewart is apparently part of the movement that has worked diligently for the past twenty-five years to try and shut down the forest products industry on the north coast. That movement has been successful beyond the early expectations of its leadership. It doesn't appear that the movement is going to quit as long as it is winning the political rent-seeking battles. But it takes some chutzpah to first cut off the legs of the timber industry and then point out how short and crippled it has become. Mr. Stewart and his associates seem to be saying that since the industry is so small now, nobody should mind if they finish the job of killing it off.

As Yogi Berra used to say, it is deja vu all over again! Once again we are hearing the same lies about tourist bonanzas that we were told when Redwood National Park was first created and again when it was expanded. The buyout of the headwaters forest and the timberlands surrounding it are going to produce a tourist bonanza that will more than offset the loss of timber industry jobs. That claim for the original RNP and its subsequent expansion, were never substantiated by subsequent experience. Even Mr. Stewart seems to understand that when he states, "The growth in non-wage income is considerably more important than the relatively small increase in tourism and recreation dollars that also occurred over the same period."

Ostensibly, Congressman Hamburg justifies the buyout of more lands than are needed in order to preserve the Headwaters forest on the grounds that placing the additional lands in the national forest is needed in order to prevent Pacific Lumber Company from "overharvesting" timber on these lands. This argument is much more revealing about the true environmental agenda of the current administration than is perhaps intended. If that argument can be made for Pacific Lumber (and I reject such a suggestion) then it would presumably apply with equal force to all private timberland ownership. The environmental movement has become a stalking horse for the installation of soviet-style central planning under the guise of "Industrial policy." Similar appeals are of course the dominant theme in the emerging debate over the socialization of the medical services industry. Sometimes I fear that the American people are going to have to learn the hard way that it is easy to walk into the socialist swamp, but not so easy to find the way out again after it becomes obvious (which it surely will) that it doesn't work.

The argument that those lands over and above the 3000 acres of the headwaters grove and the 1500 acre buffer around it would be managed responsibly by the U. S. Forest Service under the multiple use concept is patently false. Multiple use on the national forests has gone beyond being a mere joke to become a cruel hoax. The national forest system has become little more than a museum of dead and dying timber all the while that the same people who succeeded in locking it up complain about the absence of low-cost housing for the rising homeless population. But the multiple-use promise is not new either. When RNP was expanded promises were made to increase the harvest of timber off the Six Rivers National Forest for a period of fifteen years in order to mitigate some of the job losses, but key Congressmen were careful not to codify their oral promises. Instead, they merely required the Forest Service to STUDY the feasibility of doing so. The required study was duly performed, known as, "Timber Harvest Scheduling Study: Six Rivers National Forest." It was prepared in accordance with Section 102.(C) of Public Law 95-250, the act expanding the Redwood National Park. But once the study was done the harvest was reduced rather

than increased, under the successful political pressure applied by the same people who pushed the park expansion, many of whom are back for more in this case. Once again the cry is that we must save the last redwoods. How many more times after this one?

It has been apparent to me for a long time now that difficult problems of coexistence were going to emerge between private-sector ownership of forestlands and the socialist planned national forest system. But we have consistently moved in the wrong direction in recent years, and nobody seems to get it! The spectacle of President Clinton going to the Portland timber summit on one day to deal with problems arising essentially with a socialist institution in the U. S. , and the next day to go to Vancouver to try and advise President Yeltsin on how to extract the Russian economy from its socialist quagmire is simply too much irony for me to take. Mr Yeltsin is doing the best he can to privatize state assets including land, over the objections of the hard-line apparatchiks while the U. S. continues apace to add more and more land to federal ownership.

The proposed taking under this bill is, however, somewhat different from either one of the RNP takings. In those cases no one doubted that fair market value would be paid for the land and severance on mills closed as a result. The Redwood Employee Protection Program (REPP) was the same sort of political bribery to call off labor opposition that the so-called option 9 program offers today. But now the claim is being made that the timber has already been effectively taken through confiscatory regulations imposed at the state level and therefore eminent domain payments need not provide full market-value compensation. This cynical strategy has become the norm in today's environmental movement.

The "science" behind the drive for more and more stringent regulation of forestlands, public and private, is also highly suspect. One need only to consider the self-interest of those who get major grants of federal money to study threatened or endangered species to realize that there is a fundamental conflict of interest involved. Ronald Bailey in his new

book, "Eco-Scam: The False Prophets [Profits?] of Ecological Apocalypses", points out the blessed character of much of the current doomsday preachers. The spotted owl provides a perfect example. After the federal scientific committee found that the owl is "old-growth dependent" many timber companies hired their own wildlife biologists or contracted-out consultants to document that the owl thrives in young-growth forests. They succeeded in so proving only to find that this result not only foreclosed the harvest of old-growth timber but private stands of young-growth timber containing owl nests as well! While even the liberal media have now conceded that the spotted owl flap was a farce, federal regulators haven't budged from maintaining the owl as a threatened species.

I must say that I have no illusions about members of the committee taking the time to examine even a small fraction of the supporting materials I have provided with this statement, but that says more about the tendency for Congress to act with undue haste rather than as the world's greatest deliberative body that it is supposed to be. I urge the members of the committee to oppose this unwise bill.

The table below contains various multipliers for forest products industry sectors. These were drawn from item 6 on the list of supporting materials given above. Type I multipliers indicate the direct and indirect impacts on the community of changes in the output levels of these sectors. Type III multipliers add in the impacts induced when changes in household income generated by the direct and indirect effects are taken into account.

MULTIPLIERS FOR HUMBOLDT COUNTY FOREST PRODUCTS INDUSTRY										
TYPE SECTOR	OUTPUT MULTIPLIERS		WAGE & SALARY INC.		TOTAL INCOME		VALUE ADDED		EMPLOYMENT	
	TYPE I	TYPE II	TYPE I	TYPE II	TYPE I	TYPE II	TYPE I	TYPE II	TYPE I	TYPE II
FORESTRY	1.8085	1.8848	2.8464	4.3889	1.2451	1.8888	1.2373	1.8849	1.8789	2.2474
LOGGING	1.0846	1.2146	1.0801	1.5018	1.0828	1.2378	1.0886	1.2276	1.1641	1.5846
SAWMILLS	1.4388	1.7019	1.4805	1.765	1.4828	1.8123	1.5143	1.8711	1.6167	1.8888
WELFARE	1.4118	1.7464	1.8828	2.1882	1.5181	2.0874	1.5478	2.1181	1.8888	1.8788
PULPMILLS	1.4025	1.5815	1.4889	1.8488	1.8828	1.7888	1.8812	1.8246	1.8888	2.5418

The harbor study that I have been working on as noted above shows that the economic feasibility of prospective improvements to the harbor and its ancillary facilities is linked to the maintenance of a viable railroad. The railroad, now operated by a public rail authority, has been just barely holding its own after having survived chapter 11 bankruptcy proceedings by "going public". The precarious survival of the railroad has been in jeopardy in the past ten years mostly because operating revenue needed to cover the high cost of maintaining the grade through the unstable slopes of the Eel River gorge dropped along with the reductions in the volume of lumber shipped due to curtailed timber harvest levels. The Headwaters Forest Act as currently drawn might well be the straw that broke the camel's back on the railroad since the transfer of 44,000 acres to the national forest would again reduce timber harvest perhaps by as much as 40 million board feet per year, hence reducing the volume of freight carried by the railroad with an attendant loss of operating revenue. Such an event would cast the viability of harbor improvements and federal interest in that impending project in doubt.

Let me add a note about what I have called a problem of coexistence between the management of private forestlands and the national forests. First the national forest system, was created supposedly to prevent timber famine. This was done on the basis of the demonstrably false historical error that the private sector would not direct adequate investment capital into the production of standing timber. It is now obvious that the national forest system has become the cause rather than the prevention of timber famine in the U. S. But the way that the national forests are managed goes beyond this problem. Management is not subjected to the discipline of the bottom line as it is in the private sector. Thus, revenues flow from timber sales into the federal treasury, and the costs associated with the national forest program are derived from the treasury rather than from timber sales revenues. There is no connection between revenues and costs. As a consequence, the attempt by forest service bureaucrats to maximize their budgets is commonly replete with gold plated provisions involving costs that exceed benefits and revenues. But then the gold-

pleted practices are held up as models that ought to be emulated in the regulation of private forestlands where managers cannot escape the realities of the bottom line. This has led to calls for eliminating private ownership of forestlands altogether so that all forests can become a comparable budget black hole. To me the alternative answer seems obvious-- privatize the national forests as the only way to introduce efficiency and the discipline of the marketplace into the situation.

It could be argued that the publication of allowable cuts on the national forests in years past amounted to an implied contract. To reduce those allowable harvest levels summarily and unilaterally is tantamount to a contract violation. After all, investments in processing capacity and worker investments in homes were made in good faith on the basis of those published promises. The private collateral in these facilities have been drastically when federal agencies renege on previous commitments. All of these issues are a part of what I have called the coexistence problem. But I am far from the first person to note these difficulties. Members of the committee are urged to explore the philosophical issues involved in this matter. They could hardly do better in doing so to read two or so of Friedrich Hayek's books; The Road To Serfdom, published in England in 1944, and The Fatal Conceit: The Errors of Socialism, published by the University of Chicago Press in 1988.

One final point on the value of the proposed buyout, especially the Headwaters Grove of old-growth redwoods: From an economic perspective the buyout makes sense only if its value as parklands exceeds its value for the perpetual production of timber which market forces would provide for. If it doesn't, then it ought to be left for timber production in the private sector where it will be efficiently managed. If it does, then buying it out at the value of the asset in continuous timber production is a bargain. But one cannot have it both ways.

On closing let me quote from a Rudyard Kipling poem, "Pagett, M. P.":

The toad beneath the harrow knows
 Exactly where each tooth-point goes;
 The butterfly upon the road
 Preaches contentment to that toad.

Pagett, M. P., was a liar, and a fluent
 liar therewith,—

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THE DESTINY OF THE CALIFORNIA TIMBER INDUSTRY IN THE NINETIES

*By John H. Grobey, Ph.D. /
Humboldt State University*

I recently completed a study entitled, The Forest Products Industry and The California Economy. This paper is extracted in part from a brief epilogue to that study, but here I carry the issue addressed there considerably further. The purpose of the study was to develop estimates of the economic impacts of imposing additional regulatory restrictions on forest land management that would result in reduced levels of timber harvest in California. This effort involved the development of improvements to an existing input-output model with respect to inter-industry linkages, and its adaptation to focus specifically on California's forest products economy.

Suffice it to say that the current and impending additions to timber harvest restrictions will have disastrous economic impacts on regions of the state that are heavily oriented toward the forest products industry. But instead of focusing on these impact estimates it is the purpose of this paper to deal with related matters of political economy which I believe are at least as significant, if not more so.

The economic impact estimates developed in the study represent costs: Reductions in employment, income, wealth and tax revenues financing public sector activities that would follow from new restrictions. The benefits would be environmental enhancement, sometimes loosely defined, from which value accruing to the public would flow directly rather than through markets, as in the case of the costs. Developing estimates of the magnitudes of these benefits was beyond the scope of my study. However, some brief remarks about this omission may be helpful to those who have occasion to use the economic impact estimates.

Environmental benefits are largely personal and psychological in nature and they vary widely among people of different income levels. Estimates of their magnitudes are, therefore, at least partially arbitrary and partially reflective of the personal preferences of those who prepare them, rather than being based on observable and objective measures. In many cases environmental policy decisions are, by law, foreclosed from even considering economic consequences. Thus enormous costs may result from decisions taken for the sake of dubious environmental values.

Policy-makers generally recognize that disparities exist between the accuracy of estimates of economic costs on the one hand, and the more-difficult-to-measure benefits of environmental regulations on the other. Moreover, environmental issues are by no means unique in this regard. A responsibility of policy-makers is to make decisions even though faced with such circumstances. It can only be hoped that some weighing of benefits and costs will be undertaken in reaching policy decisions.

An additional point needs to be raised about any benefit-cost framework used in appraising the desirability of environmental policies. Trade-offs between economic costs and anticipated environmental benefits that are apparent when a new regulation is adopted may be quite different from those that actually develop in the longer run. In other words, unanticipated economic and perhaps environmental effects may well occur.

At least since Adam Smith published his classical work on the wealth of nations, the central focus of economic analysis has been on a comparison of the social performance of various policies and their interaction with the institutional arrangements within which economic activity takes place. The explicit or implicit changes in the institutional arrangements under which forestry is practiced is an important trade-off in addition to that between the measurable economic impacts and the much-more-difficult-to-measure environmental benefits involved in more restrictive forest policy.

More regulation is almost certainly attended by more bureaucracy and there may be unanticipated and undefined costs and other unintended and undesirable consequences of such changes. For example, more restrictive regulations in California may only succeed in "exporting" environmental problems to other regions that will be tapped as alternative sources of wood supply to meet the high levels of demand for forest products in California.

Forest policy governing private land management has been subject to policy failures that have poorly served their stated purposes. One example is confiscatory property tax policies during the 1930's, intended to raise revenues, that instead led to extensive land abandonment and removal of forest lands from tax rolls. These events are now largely forgotten, especially by the general public, and tax reforms have apparently corrected errant tax-policy failures. But this lesson is worth reviewing in the deliberation of environmental regulations currently being proposed because these regulations may have similar results. Indeed, abandonment of private forest lands to public ownership may well be a central objective of the political opponents of logging. David Pesonen, the Director of the California Department of Forestry in Governor Jerry Brown's administration made this point explicit during a symposium at Humboldt State University in 1979. One can well wonder whether things have changed.

Timber production requires the maintenance of investments in large, fixed capital assets. Trees take a long time to reach harvestable age. Consequently, tax burdens or elevated costs of environmental regulations might make private ownership impractical and uneconomical. Elevated costs may be tolerable until harvest if stands are already well-established. But it may be the case that even mature timber would be abandoned if the combination of outright cutting bans, higher logging costs, the costs of immediate reforestation required by law that may well occur naturally given a longer period of time, and timber taxes, result in zero or negative asset values.

An illustration of what might happen in this respect is the recent proposal by State Senator Barry Keene to place a bond measure on the ballot to purchase the headwaters forest. While he declared that the purchase price would probably be in the hundreds of millions of dollars, he also stated:

"Putting a price tag on Headwaters is tricky business, because the traditional measure of a forest's value is the lumber it can produce. If political, public and regulatory forces combine to prevent PL (Pacific Lumber Company) from logging Headwaters, the forest has no value as lumber." (Eureka Times-Standard, February 4, 1991.)

In other words, and followed to its logical conclusion, Senator Keene is saying that the state may not be obliged to pay anything for assuming fee title in the land by the power of eminent domain because it has already confiscated the land through regulations without paying a cent! He goes on to propose the negotiation of a selling price with PL officials presumably on some other, lesser basis for evaluation, perhaps offering token compensation.

Regulations which in the short run do not appear to have strongly adverse effects may in the long run prove to have serious consequences for the viability of private timber production. Short-run impacts on employment, income, wealth and tax revenues would therefore prove to be much larger over the long run.

Private timberlands that are rendered valueless for wood production by high-cost regulations will gradually revert to public ownership for reasons of tax delinquency. (The ad-valorem "bare-land-value tax" is sufficient to induce this effect.) This means that the collectivized, centrally-planned sector of forest-based economies will grow. Evidence from

Eastern Europe and the Soviet Union should convince us that public ownership is not an efficient institutional arrangement for the production of material goods and services, including wood. The Eastern European example also should convince us that centralized bureaucratic planning is not a useful means of promoting environmental quality. These countries are the most highly polluted in the world.

The National Forest system is an example of government ownership of the means of production of timber which is demonstrably inefficient as well as being highly vulnerable to political interdiction. The costs of administering timber sales on the National Forests are orders of magnitude higher than in the case of similar operations on private lands, and sometimes exceed revenues. The bottomless pocket of the federal treasury enables this to happen. The discipline of the bottom line prevents it from happening on private lands. Legislatively-produced controversy and bureaucratic paralysis surrounding the administration of the National Forest system comes too close to the problems of the central-planning paradigm to be lightly dismissed.

Political debates over proposed policies tend to be relatively short-sighted. The imperative of elected officials is their next election campaign, and the electorate may be not able to associate adverse consequences appearing much later with earlier policies adopted for the sake of short-run political expediences. The electorate also appears often to be vulnerable to slick political propaganda. One needs only to count the number of times "the last redwood" has been "saved" to make the point.

Estimates of the short-run costs of policy changes derived from the input-output method of estimating economic impacts are obviously useful in the policy debates. Forest land owners who will bear many, but not all, of the costs of more restrictive environment regulations are understandably interested in responding to specific requests for impact estimates in defending their interest. But analysis that ignores possible longer-term consequences including those associated with changing institutional arrangements should be labeled clearly with the caveat emptor warning.

A basic and unstated premise underlying forest policy in California (as well as elsewhere) is that the free, private market does not work efficiently in forestry and must therefore be replaced by comprehensive government planning. Policy-makers need to consider carefully whether government intervention predicated on this basic assumption is correct, namely: That alleged "market failures" readily can be corrected by substituting bureaucratic planning for the decentralized planning implicit in the market mechanism.

The citizens of the state have a strong interest in the preservation of private property rights. Opposing positions

taken on the desirability of policies affecting private property rights often turn on a case-by-case determination of the incidence of the costs and the benefits, rather than on questions of economic efficiency (that is, whether the benefits outweigh the costs) or constitutional principles relating to uncompensated, *de facto* confiscation of private property. Redistributational consequences of more restrictive policies are examples of regulations that Richard Posner has called "the theory of indirect taxation." Legal precedents established denying the property rights of timberland owners might well be applied to other classes of property. The efficiency with which the market economy operates is seriously eroded if the suspension of private property rights through regulation is carried too far and might well become a double-edged sword.

Policy analysis that focuses on private property rights, their abuse through comprehensive regulation, and the implications for the economic system of doing so ought properly to be carried out in formulating policy changes. The rationale for public policy intervention into the operation of the timber industry and the conditions under which intervention can be expected to operate efficiently and in the public interest, need to be addressed. The prospect for a worsening of the situation rather than an improvement is a distinct possibility that cannot be ignored.

The set of social institutions for making economic decisions, (relating to the allocation of resources) is basically exhausted at two, namely: Either politics and its central planning mechanism, or the decentralized private planning mechanism inherent in the market. This is not to say that the market economy cannot bear some admixture of political regulation. But there is a level of regulation beyond which the essence of market mechanics is supplanted by state central planning rather than merely being adjusted or augmented for furtherance of some extra-market goal.

It is sometimes alleged that the preference for one or the other of these polar alternatives is purely "political," and thus is not a legitimate subject for analysis. However, recent events still unfolding in centrally-planned economies around the world have provided evidence on the performance of political-economic planning relative to that of the market that can lead to only one clear and objective conclusion: Socialism doesn't work. Of course, government regulation of the economy in the

U. S. and California generally is nowhere near as intrusive as it is in the collapsing centrally-planned economies, but policy-makers should take heed of the dangers this collapse illustrates. A comparison of the incentives inherent in each system and the implications of the choice for efficiency and distributional equity is badly needed.

Flaws in the market mechanism are well-known to economists, having been exhaustively studied for more than two hundred years. In some cases the free market has been mis-identified as the culprit responsible for problems of economic performance when the true cause is really political failure. But often it has been assumed that political intervention is sufficiently justified by the mere identification of market flaws without pausing to compare them with flaws that inhere in the political substitutes for market mechanisms. Careful comparative analysis of political economizing mechanisms is relatively new, but it is clear that the choice between the two is not a choice between a deeply flawed market and a flawless political process. The choice is subject to objective comparison of their relative efficiencies on the basis of real evidence. Proper analysis also enables the implementation of public policy decisions so as to take forms which can minimize bureaucratic flaws which otherwise produce problems worse than the market flaws that intervention seeks to correct.

The attempt has been made in centrally-planned "command" economies to use input-output models or other sophisticated mathematical systems as a basic framework for comprehensive coordination of the activities of separate, linked sectors. But these attempts have generally failed precisely because the information and signalling functions performed by market prices cannot be simulated and accommodated within the I/O framework, or for that matter by any model. Input-output analysis is useful in forecasting the impact of independent events, such as the impact of a change in final demand for the output of one or more "export-base" sectors, on the entire economic structure where the stakes in the robustness of the forecast are not too high and where approximations are sufficient. But neither this nor any other model can perform the task of central economic planning efficiently because the information requirements and the mathematics become unmanageably complicated long before they are sufficiently comprehensive to allow for its use in directing all economic activity. The collapse of the Soviet system bears witness to this point.

The irony of these recent events is that the experience of the world's centrally-planned economies do not seem to have registered in the United States. Milton Friedman recently observed that despite the evidence that central planning does not work and that the free market is a necessary (but perhaps not sufficient) condition for a free society, many in the U. S. assert the need for "industrial policy" that involves more government intrusion and the very mechanisms that the people of central and eastern Europe are now trying to abandon. It is not yet clear whether they will succeed against a deeply-entrenched bureaucracy and a truculent political elite. The appropriate level of government involvement in the economy and the full range of consequences flowing from more intervention is an issue that needs to be faced squarely by policy-makers. Economic impact analysis can serve as a starting point for the examination of these larger trade-offs involved in the direction that forest policy seems to be taking in California. But analysis also must address the political consequences of more government intru-

sion in a situation where regulation of forest practices is already among the most stringent in the world.

The political implications of more restrictive regulation of forest practices are well-illustrated by some recent comments made in a broader political context by economist Friedman, whose position on these matters is well-known and which has been thoroughly vindicated by the events in the "Soviet block" and elsewhere around the world. Writing for the University of Colorado, he said:

"Conventional wisdom these days can be summarized in the form of a syllogism.

Major premise: Socialism is a failure. Even lifelong Communists now accept this proposition. ...

Minor premise: Capitalism is a success. Economies that have used capitalism -- free private markets -- as their principal means of organizing economic activity have proved capable of combining widely shared prosperity and a high measure of human freedom. A private market system has proved to be a necessary though not a sufficient condition for prosperity and freedom. .

Conclusion: The U. S. needs more socialism. An obvious non sequitur, yet there is no denying that many apparently reasonable people... accept all three propositions simultaneously." Immediate economic impacts of current policy directions are important, but they may not be as important as the other social costs of the comprehensive change in the system of political economy inherent in recent proposals for quantum changes in forest policy directed toward undermining free markets. We also have to face the irony that the National Forest system which was originally created to provide a reserve supply of wood needed because of allegations that the market would fail to do so, will in all likelihood (given recent trends) be totally unavailable for wood production.

But while the locking up of the National Forests against the production of timber for which they were intended will oblige dependence on the private sector for the supply of forest products, public policy will have so crippled private forestry that it may not be able to perform effectively. Such is the apparent destiny of the forest products industry in California in the Nineties, barring a change in the current political landscape.

Mr. ROSE. We want to apologize to our last panel. We went over to the floor to make one vote, and they had, I think, two or three after we got there. And so we apologize for keeping you.

But, Mr. Campbell, are you here?

Mr. CAMPBELL. Yes, sir.

Mr. ROSE. All right, sir. Come to the table.

Mr. Dixon and Mr. Rynearson.

Mr. DIXON. Mr. Rynearson had to catch a flight.

[The statement of Mr. Rynearson appears at the conclusion of the hearing.]

Mr. ROSE. Well, we apologize for delaying this, but as I said earlier, Mr. Campbell and Mr. Dixon, if you both have statements, we will make them a part of the record. You can do as you like or you can give us a summary of your testimony.

Go ahead, Mr. Campbell.

STATEMENT OF JOHN A. CAMPBELL, PRESIDENT AND CHIEF EXECUTIVE OFFICER, PACIFIC LUMBER CO.

Mr. CAMPBELL. Thank you, Mr. Chairman.

Mr. Chairman, members of the subcommittee, I am John A. Campbell, president and chief executive officer of the Pacific Lumber Company, which is located in Scotia, California, and I certainly appreciate the opportunity to testify before you today on H.R. 2866.

Just listening to the testimony this morning and in the committee yesterday, I would like to correct some of what I think is misinformation about the company. There seems to be an impression that the cutting of the old-growth redwoods has really only occurred in the last—

Mr. ROSE. Is what?

Mr. CAMPBELL. There seems to be a misunderstanding or some impression out there that the cutting of old-growth redwoods has only occurred in the last 8 years since the acquisition by Maxxam. In fact, Pacific Lumber Company has been cutting old-growth redwoods for the 124 years of its existence. And the old Pacific Lumber Company if you will, fully intended to harvest these trees in their long-term management plan. And so this is not a new issue as far as the company is concerned.

As I said, we are located in Humboldt County, headquarters in Scotia, we have 1,250 employees, and we are the largest private employer. All of our timberland is zoned for timber production by the State of California. That is its only use. And the Timber Productivity Act of 1982 in California requires maximum sustained production of timber products from that land. There is a tremendous regulatory package in place that backs that up and after the trees are harvested we have to ensure that the land is fully stocked within 3 years and that the timber is coming back. In other words, we replant the area, and accompanied by the natural regeneration, you get a first-class forest in place.

This proposal claims to be an Old Growth Protection Act. In fact, over 80 percent of the land involved in the 44,000 acres is a second- and third-growth timber, which has been harvested at least once or twice. So there is a tremendous amount of young timber involved in this proposal.

Recently, the Save the Redwoods League in California celebrated their 75th anniversary. Their sole purpose in life is to protect trees of the nature that we are talking about. Our company has had a 70-year relationship with the Save the Redwoods League and many of the finest groves in California, particularly in the Humboldt Redwood State Park area, were lands at one time owned by the Pacific Lumber Company. And in fact, after the merger in 1986, we conveyed another 96 acres to the park by Maxxam, our parent, working with the Save the Redwoods League.

They have said that this bill is fatally flawed and does not meet their long-term goals of protection of the parks that are already in place. They would prefer to see land adjacent to the parks acquired and the parks be enlarged and then move the traffic out of the old-growth groves and into the younger timber.

Three-and-a-half years ago, we voluntarily put a moratorium in place on the Headwaters Forest. We have held that land without production, in an effort to try and seek a solution. There were two initiatives on the California ballot, which were defeated, which did provide funds for this acquisition. And we support what is being tried—trying to do within this bill, but we want to see it limited to 4,500 acres.

We would be more than willing to work with the subcommittee or the administration in terms of accomplishing that goal, but we do not want the additional 41,000 acres taken from our property because it will severely impair our ability to maintain a viable timber operation and maintain employment in our region.

I would like to correct one other thing that has come up in the last couple of days. That is the business about information. With all due respect to Congressman Hamburg, when he referred to Dr. Moyle, that we withheld information and his ability to gather information, we have a signed memorandum of understanding with the California State Department of Fish and Game.

We have worked collegially with them in terms of developing a fisheries program on our property. We share all of the data from that arrangement with them. They share information with us. And we work together to enhance the fisheries on our property.

With reference to Owl Creek, there was some indication that we withheld information on that. In fact, if you go back and look at the board of forestry record, when they voted seven to zero to approve this plan, within the findings they said that we were required to share the surveys from that spring with the California Fish and Game Department. The word was "share," and we did that. And we didn't hear anything from them for over a month.

We went to work on the plan. I was called by the director and he asked me to voluntarily cease the harvest and I did immediately. They said that they would consult with the California Fish and Game Department during the summer and come back to us.

That consulting went on all the way through October, and I believe the bird was listed in October, and at about the same time or just close to Thanksgiving, we received a letter from the State saying that we could go ahead with the plan. We had received a letter from the U.S. Fish and Wildlife Service saying that they were concerned about the murrelet, but we felt that the body that was governing the harvest was the Timber Productivity Act and

the State. So I would like to correct that. We did share the information with the State and the appropriate agencies.

I think, in the essence of time, I will close my remarks now and thank you for the opportunity.

[The prepared statement of Mr. Campbell appears at the conclusion of the hearing.]

Mr. ROSE. Mr. Dixon, first district supervisor, Humboldt County Board of Supervisors, Humboldt County, California.

STATEMENT OF STAN DIXON, SUPERVISOR, FIRST DISTRICT, HUMBOLDT COUNTY BOARD OF SUPERVISORS

Mr. DIXON. Thank you, Mr. Chairman.

I am aware that the subcommittee has a copy of my prepared statement.

Mr. ROSE. All of it will be in the printed record.

Mr. DIXON. Many of the points that were made in that written testimony have been covered by members of your subcommittee already this morning, so I will briefly touch on a number of points that I think are important.

The first of which is that in April of this year, I was privileged to attend the President's Forest Conference in Portland, Oregon. And many of us that left that conference, and while the conference was not specifically about this proposal, the premise that we all left with I think is important here. And that is the fact that the President, his administration, and Members of Congress, indicated a recognition that there needs to be clearly balance between the environment and economic situations, at least in the State of California. And that is important to resource-related communities such as ours.

We feel that the proposal before you, taking the 44,000 acres, contrary to testimony that was earlier given, would significantly impact communities, individuals, families, and that there would be a significant loss of employment. There would be a significant impact on the ability of county government to provide necessary services.

The proposal comes at a time when governments at all level, including the Federal Government, are facing enormous budget deficits. We simply cannot afford the loss of additional tax revenues that would be resultant from this piece of legislation.

We almost unanimously in Humboldt County, as it relates to elected officials, oppose this legislation at the 44,000-acre level. That opposition does not result from a feeling that we do not need to preserve our natural resources and protect them for generations and protect them not only for the residents of our county but for the people of the United States. However, we do feel that 4,500 acres is a significant contribution to the National Forest System.

As you are aware, there are 255,000 acres of redwood currently in the State of California preserved, between 80,000 and 100,000 of those acres are old-growth redwood timber. Timber is the backbone of the local economy. For anybody to suggest otherwise is a false assumption. There is no question that the importance of it has declined for a number of reasons, but it is and it will remain a significant contributor to our economy.

I think the information that was presented both yesterday and today by Mr. Leonard and Dr. Ralph is relevant. While it was somewhat belittled by earlier testimony, it is a significant fact that yesterday the appraisal that came from the U.S. Forest Service for the entire 44,000 acres, indicated that a price tag for that property, which many of us believe would be conservative, and while I am not an appraiser I have talked to many people who have knowledge in the industry and they think that the \$1.5 billion price tag for 44,000 acres is probably conservative.

The fact that Dr. Ralph indicated 1,000 marbled murrelets probably exist on that proposed 44,000 acres does in fact work out to about \$1.5 million per bird and whether you think that is not a significant amount of money, there are many people in the United States, particularly elected officials, that are charged with the responsibility of providing habitat for human beings, both young in age and disabled throughout this country that think that were the Federal Government to provide us those kinds of revenues to meet those kinds of programmatic needs that would be a significant contribution to us.

So in summarizing and wrapping this up, Mr. Chairman, I think the significant question is how much acreage is imperative to be set aside in this proposal and how much does the total cost for that taking have a bearing on this whole process. We hope that you will consider Mr. Farr's contention this morning that reasonable people can sit down and negotiate and come up with reasonable solutions and I hope that in this case a reasonable solution will be the 4,500-acre proposal.

Thank you, Mr. Chairman.

[The prepared statement of Mr. Dixon appears at the conclusion of the hearing.]

Mr. ROSE. I appreciate your testimony and you all being here. So you would welcome an opportunity then if the Department of Agriculture, say Mr. Lyons, we have talked about the Assistant Secretary for Natural Resources and Environment, and some of us on the subcommittee were and maybe some others, we just sit down and begin the process of talking about that.

Mr. Campbell.

Mr. CAMPBELL. Mr. Chairman, we would ask the subcommittee to reject the 44,000-acre proposal, but to certainly consider the acquisition of the 4,500 acres and we would be delighted to sit down with the administration and the subcommittee and the Congress and work out some sort of satisfactory resolution.

Mr. ROSE. Well, of course, the subcommittee is going to have to caucus on both sides of the aisle to decide what we do, but we hear you and I hope we can proceed rather swiftly.

Mr. Hamburg.

Mr. HAMBURG. I wanted to just follow up on something that John Campbell said. Given what you called, Mr. Campbell, a tremendous regulatory package that is currently in place. Isn't it true that even with that tremendous regulatory package in place, that even within this 4,500-acre block that we are all in agreement that it might be better if that passed from private to public ownership?

Isn't it true that even with that regulatory package in place the company has been able to go into that part of this property and cut significant amounts of old growth?

Mr. CAMPBELL. Not recently since the litigation. I mean we have been harvesting in that region for over 40 years and the headwaters is there because in the early days the logging on our property was mostly done by railroad, and of course they took the least line of resistance and engineered the railroads to the lower areas. And it was only with the advent of the Caterpillar tractor and the high ratio trucks that you could get into these remote areas and that is the reason these pockets are left on our property.

But the balance of over 185,000 acres of our property is all mostly in second-growth timber and in second and third stage.

Mr. HAMBURG. Now, I am sorry you weren't in here when Ms. Lanman showed an aerial photo that was taken in 1991 of the 4,500 acres which shows what looked to be very large significant cuts within that 4,500 acres since 1986.

Mr. CAMPBELL. That is correct. We had approved harvest plans and it was—as I said, it was the old Pacific Lumber Company's intention to harvest that area over time and we did have approved plans and we continue to operate in that area.

Mr. HAMBURG. I understand that it is your position and Maxxam's position that unless the Government buys this property that you will harvest it?

Mr. CAMPBELL. Well, we have a responsibility to our shareholders and yes that would be our intention—the land is zoned by the State exclusively for timber production. That is the only use we can use it for.

Mr. HAMBURG. Do you have any valid permits at this time for cutting in Owl Creek?

Mr. CAMPBELL. We have in Owl Creek. Yes, we do.

Mr. HAMBURG. You have a valid THP to cut in Owl Creek?

Mr. CAMPBELL. Last Wednesday the first district court of appeals in San Francisco said that we had a valid and approved plan and rejected the litigation against us.

Mr. HAMBURG. Do you have any other valid THP's on the 44,000 acres?

Mr. CAMPBELL. On the 44,000 acres?

Mr. HAMBURG. Yes.

Mr. CAMPBELL. A number of them we are operating on those today.

Mr. HAMBURG. Some of them are in this virgin old-growth area.

Mr. CAMPBELL. We have plans submitted and approved that are being litigated. We have residual plans which are approved and we are operating on and we have other plans that are approved and we are operating on.

Mr. HAMBURG. So the only thing that is keeping you from further harvest of this virgin old growth is litigation?

Mr. CAMPBELL. That is correct.

Mr. HAMBURG. You stated that the Save the Redwoods League has taken a position in opposition to this bill. I haven't seen that. Have you got documentation of that?

Mr. CAMPBELL. I have seen—there is a letter I think in the EcoNews recently by John DeWitt explaining their position. I have

spoken with him privately on the phone a number of times. I have spoken with a number of commissioners of the Save the Redwoods League and their position is to protect the parks that are already in place and to acquire property in a closer adjacency.

Mr. HAMBURG. If you have that, I would be interested. I have seen a letter from John DeWitt stating his personal position. I have talked at length with him. I know that one of his major concerns is he didn't believe that the Forest Service should be the manager of this property.

In the bill it goes into in addition to the Six Rivers Forest. Mr. DeWitt disagrees with that. He is also very concerned, as am I, with the matter of price and I think that is something that all of us should be concerned about. I maintain, though, that there is a direct relationship between your ability to harvest within this acreage and the costs that should be paid to your company for that acreage and I don't think the appraisal took account of that.

When the appraisal talks about setting aside 3 percent, 3 percent for fish and wildlife, we had testimony this morning that that is not nearly enough set-aside to protect coho salmon, to protect marbled murrelets, to protect spotted owls, so I don't think that any of the appraisals, including the ones that you speak about that Maxxam might endorse, have much relationship to the reality of what you can actually harvest given the current regulatory environment.

Mr. CAMPBELL. Mr. Hamburg, we did not request that appraisal. That was requested of the agency by the previous administration and they selected the individuals that did the appraisal, and as far as I know they are reputable people.

Mr. HAMBURG. I think we also had testimony to the effect that the Fish and Wildlife Service was not consulted in the preparation of that appraisal and again this 3 percent set-aside makes absolutely no sense at all given the deteriorating and continuing-to-deteriorate-condition of endangered species within that acreage.

Thank you, Mr. Chairman.

Mr. ROSE. Do you have any reaction to that? I mean, the times have changed here, haven't they?

Mr. CAMPBELL. Yes, they have. I think it is important for people to understand it takes a long time to gather the science involved with these species and there is a dearth of science out there about a number of these. As we recently witnessed with the northern spotted owl, the Government is now admitting that they made a mistake in northern California. They were on public television recently. As a matter of fact, it was Mr. Detrich.

Mr. ROSE. Who admitted what?

Mr. HAMBURG. I haven't seen such an admission. In 90 days, the Secretary of the Interior is going to report as to that.

Mr. CAMPBELL. I can submit a tape from NBC with a statement for the record.

Mr. ROSE. From whom?

Mr. CAMPBELL. From Mr. Detrich of the U.S. Fish and Wildlife Service.

Mr. ROSE. Saying what?

Mr. CAMPBELL. Saying that they felt that for the northern spotted owl that the census was incorrect in northern California and

that perhaps—as a matter of fact, the closing remark on the tape was I think that—that environmental policy got in the way of good science.

Mr. ROSE. All right.

Well, I have seen that work both ways.

Mr. Pombo.

Mr. POMBO. Thank you, Mr. Chairman.

I guess the first question I would like to ask Mr. Campbell is: Is your company a willing seller of the 4,400-acre-plus old-growth redwood area that has been described here today?

Mr. CAMPBELL. Yes, we are, with some provisions. It has to be at fair market value so that our shareholders are protected and that the executives of the company maintain their fiduciary responsibility.

Mr. POMBO. What about the remainder of the 40,000 acres that has been described as part of the spill?

Mr. CAMPBELL. We do not agree with that and we would fight that vigorously because it would impact our operations severely.

Mr. POMBO. So you are a willing seller of the 4,500 acres, but not the remainder?

Mr. CAMPBELL. At fair market value, yes.

Mr. POMBO. If you don't mind, would you share with us why you are willing to sell what in my understanding would be very profitable lumber for your company?

Mr. CAMPBELL. Well, we realize that there is significant concern about this property in the environmental community and that is really the reason that we put on the self-imposed moratorium 3½ years ago which we worked out with Congressman Bosco at that time, Senator Barry Keene from our district and Assemblyman Dan Hauser and the company agreed to a 2-year moratorium on the property to see if something could be worked out.

Here we are 3½ years later and still nothing has been worked out and we still maintain that position. We would like to see something done with the property one way or the other.

Mr. POMBO. On a question from Mr. Hamburg earlier, you stated that you could go in and log that area today if you chose to.

Mr. CAMPBELL. No, I think he was referring to Owl Creek. We have a harvest plan on the Headwaters Forest and it is in litigation.

Mr. POMBO. So you could not go in and log that area?

Mr. CAMPBELL. Not at this point, no.

Mr. POMBO. Without the litigation, if the lawsuit hadn't been filed, could you go in and log it?

Mr. CAMPBELL. I think what we would have to do is consult probably with the U.S. Fish and Wildlife Service, as Mr. Detrich said earlier. We would work something out on the ground. We have done that with the spotted owl. We have a spotted owl management plan for our entire property and the U.S. Fish and Wildlife Service has concurred that the plan is functional and we are not impacting the bird on our property.

We feel we can do the same thing with the marbled murrelet and other species of concern. The company is a very responsible operator.

Mr. POMBO. Even in the old-growth area, you could go in and log that area with a management plan.

Mr. CAMPBELL. We wouldn't log the entire area at any one time. I think you have to take into account the regulatory scheme that is in place in California. There are stream protection zones for the protection of anadromous fisheries. There are other riparian zone protections as well for other species and water quality. So I think we could get the job done in a proper way.

Mr. POMBO. It has also been mentioned here earlier this morning and then just on a previous question about in the appraisal that 3 percent was set aside as a protection area and that it is felt that that is not enough of the entire area as a set-aside of habitat. What would be the company's position if it were all taken as habitat, the entire area was deemed primary habitat?

Mr. CAMPBELL. I think what you would have there is what they call a regulatory taking and the property would be condemned by regulation and we would have to go through taking litigation with the Federal Government.

Mr. POMBO. So if it were taken in that regard, that the entire area was deemed prime habitat area, then you would have to go through a takings litigation?

Mr. CAMPBELL. That is our understanding of it, yes.

Mr. POMBO. One question for Mr. Dixon: How much of your county is currently owned by the Federal Government or State government level at this time?

Mr. DIXON. Congressman, I couldn't answer that specifically. We have a map that we use——

Mr. POMBO. On the map it looks like it is all federally owned.

Mr. DIXON. It is a significant portion. I don't have a specific answer for that, though.

Mr. POMBO. Could you possibly attain that information and find out what is on the tax rolls and submit that to us at a later time?

Mr. DIXON. Certainly.

Mr. POMBO. Thank you.

[The information follows:]



BOARD OF SUPERVISORS
COUNTY OF HUMBOLDT

825 5TH STREET

EUREKA, CALIFORNIA 95501-1172 PHONE (707) 445-7471

October 18, 1993

Honorable Richard W. Pombo
 U.S. House of Representative
 1519 Longworth Building
 Washington, D.C. 20510

Dear Congressman Pombo:

During the Sub-Committee hearing on the Headwaters Forest Act last Wednesday, you asked me how many forest acres in Humboldt County were under Federal jurisdiction.

Our records indicate that 470,000 acres in Humboldt County are under the jurisdiction of the Federal government in lands controlled by the Bureau of Land Management, U.S. Forest Service and National Parks Service.

The 470,000 acres does not include forest lands under the jurisdiction of the Bureau of Indian Affairs.

I hope this information will be beneficial to you in your deliberations on this legislation.

Sincerely,

STAN DIXON
 First District Supervisor

cc: Committee Chairman
 Honorable Charles Rose
 U.S. House of Representatives
 2230 RHOB
 Washington, D.C. 20510

Ray Flynn
 Humboldt County Assessor

Mr. POMEROY [assuming chair]. Mr. Dooley.

Mr. DOOLEY. Just on the scope of the region. The 44,000 acres, what participation did you have in defining that region or were you consulted at all in that regard?

Mr. CAMPBELL. No, we were not consulted.

Mr. DOOLEY. How was this area designated, then?

Mr. CAMPBELL. We don't know. I understand that the U.S. Forest Service was asked to generate a map. I don't know where it came from. But it does follow the majority of our boundaries in that area. It does take in some other ownerships, I understand, but the majority of it is on Pacific Lumber Company land.

Mr. DOOLEY. On the appraised value which you know, not being familiar with timberland, have there been any comparable sales on property that is similar that you know that you are aware of that would be on a per-acre basis.

Mr. CAMPBELL. The most recent transaction of anywhere near this size was the last taking of the Redwood National Park area in 1978, and prior to that was the taking in 1968.

Mr. DOOLEY. So there is nothing anywhere near current?

Mr. CAMPBELL. Nothing of this magnitude, no.

Mr. DOOLEY. I guess the real decision is—if we are going to move forward with legislation similar to what Mr. Hamburg is offering, is it really comes down to scope and obviously you folks seem to be willing to talk about the 4,500 acres and then I guess if we can move on that, it is obviously contingent on reaching a mutually agreeable level of compensation for that.

If I understood you correctly, you think that that is possible to some extent. But what I was interested in was some of the past bond measures that have narrowly failed. Were there negotiations and agreements that had been entered into that would have resulted in a purchase of some of this on a voluntary basis?

Mr. CAMPBELL. No, not at that time. I think what you have to understand is during this 3½ years much has gone on since we put on the voluntary moratorium, we worked with the Nature Conservancy in developing, and their biology folks, on what they called the logical-biological boundaries of the Headwaters Forest. That is how we came up with the 1,500-acre buffer. That was not our idea. The Nature Conservancy did that and they defined that boundary working with our foresters and our biology folks.

They felt that the 1,500-acre buffer was more than sufficient to protect the 3,000 acres.

Mr. DOOLEY. And there has been some alluding to a potential bond measure that could be on the ballot in California in 1994 that would perhaps provide some of the financing for the purchase and at this point it is hard to tell what.

Has anyone been involved in negotiations or talking with you about this potential as a financing source?

Mr. CAMPBELL. I am not familiar with that measure. There has been a lot of legislative effort in California over the last 2, 3, or 4 years, but I am not familiar with this particular piece of legislation.

Mr. DOOLEY. Thank you, Mr. Chairman.

Mr. POMEROY. Mr. Doolittle.

Mr. DOOLITTLE. Thank you, Mr. Chairman.

Mr. Campbell, page 3 of this bill, section 4, says the following: "The remaining unprotected stands of old growth forest and old-growth redwoods are under immediate threat of being harvested without regard to their ecological importance and without following Federal timber harvest guidelines."

Do you stipulate to that?

Mr. CAMPBELL. No. I don't believe that is true. Everything we do on our property has gone through the regulatory process and we have the appropriate approvals.

Mr. DOOLITTLE. Could you describe the regulatory process? Can you just go out and cut any bunch of trees that you feel like cutting or is there some requirement for approval from some level of government?

Mr. CAMPBELL. No. As I said earlier, all of the lands on our property are zoned by the State for timber production under the Forest Practice Act of 1970 and then the following legislation, the Timber Productivity Act of 1982, the landowner is required to file what is known as a timber harvest plan. Timber harvest plans have to be developed by a licensed professional forester who has to pass a rigorous exam to get his license and his license can be revoked if in fact his actions have an adverse impact on the environment.

This plan is submitted to the California Department of Forestry who is the lead agent and then other agents of the California State government, be it fish and game, water quality, CalTrans, beaches and parks, all get an opportunity to comment on the plan and the lead agent considers all of that input and then rules whether or not the plan is to be approved.

They go through quite a long, involved process. At the end of that approval period, there is a 30-day window for the public to litigate the plan if they feel that it is inappropriate.

Mr. DOOLITTLE. So before you cut any tree, you have to have this process completed and have an approved plan?

Mr. CAMPBELL. That is correct.

As a matter of fact, if you go back in the process when you submit the plan, when the Government accepts the plan, the plan has to be known as what is called complete in every way before they will even consider it.

Mr. DOOLITTLE. The photograph that was displayed here, did you see that?

Mr. CAMPBELL. No, I did not.

Mr. DOOLITTLE. An inquiry of the Chair.

Mr. Chairman, is that photograph to be a part of the record or file? There is testimony concerning it, but how does that work?

Mr. HAMBURG. I haven't formally requested that it be entered into the record, but it is actually—hold on just a second. That is a photo that belongs to the U.S. Forest Service and with their concurrence, we could hold it in the file.

Mr. POMEROY. I am informed it is likely that the permanent Chair will seek a copy to include in the file.

Mr. DOOLITTLE. I think it should be.

Let me inquire of the Chair and the author of the bill, was that of this Owl Creek area that we have heard about?

Mr. HAMBURG. No, the majority of that aerial photograph, Mr. Doolittle, is of the 4,500 acres, although if you remember the photo

as you looked to the right side of the photograph, you saw other cut over properties, that must be second growth which is within the 44,000-acre boundary which the bill encompasses.

Mr. DOOLITTLE. But outside of the initial approximately 4,500 acres?

Mr. HAMBURG. I am sorry?

Mr. DOOLITTLE. Off to the right that you are talking about, the second growth is outside the initial approximately 4,500 acres?

Mr. HAMBURG. Right. Most of what you saw there was the 4,500 acres, with the cuts in the southern area and in the western area of that 4,500 acres.

Mr. DOOLITTLE. Have you got it? Let's put it up, sir, so they can see it. Let's ask them about it.

This is a photograph, what, taken in 1991?

Mr. HAMBURG. 1991.

Mr. DOOLITTLE. 1991 and what appears to be there is significant areas of cleared cutting on that. Were those conducted pursuant to a lawfully approved harvest plan?

Mr. CAMPBELL. Yes, they were.

Mr. DOOLITTLE. And is it still the practice today of your company or companies in general, let me bifurcate that question, to conduct that type of harvesting?

Mr. CAMPBELL. We agreed in let's see May of 1988 with Assemblyman Byron Sher of the California Legislature that our company would not clearcut in virgin redwood timber and we have not. What you are looking at here is overstory removal.

Mr. DOOLITTLE. I am sorry, what is it called?

Mr. CAMPBELL. Overstory removal.

Mr. DOOLITTLE. What is that?

Mr. CAMPBELL. I think prior to about 1982 the Pacific Lumber Company selectively logged everything on our property, in other words, there was a peculiarity in the Tax Code that if you took 70 percent of the volume off the property, the remaining 30 percent was removed from the tax rolls for 30 years, and it was——

Mr. DOOLITTLE. So that was designed to encourage selective rather than——

Mr. CAMPBELL. Right, and that area is a second stage of that operation. They have thinned the trees at one point and then they have gone back in here and taken off the overstory. If you look here, you see a lot of regeneration underneath coming in.

Mr. DOOLITTLE. The overstory, is that the bigger trees that they are taking out?

Mr. CAMPBELL. The larger trees. They call them the seed trees.

Mr. DOOLITTLE. They call them what?

Mr. CAMPBELL. Seed trees.

Mr. DOOLITTLE. Seed trees that produce the seeds that generate the new trees?

Mr. CAMPBELL. It helps the regeneration in the area. You get the wind throw of the tree, plus the unique quality of the redwoods, they sprout on their stumps. You get a fully stocked area within 2 to 3 years.

Mr. DOOLITTLE. Well, it has been represented—let me read the accusation here.

Mr. CAMPBELL. Well, there is one section on that map, you see the road running down there, through there——

Mr. DOOLITTLE. Can we put this up on that easel so we can refer to this and the members of the subcommittee can see it and the witnesses.

Thank you very much. That is helpful.

Now, which road are you talking about?

Mr. CAMPBELL. The road that runs through virgin timber. Naturally when you are building roads in virgin timbered areas, you are going to have to remove all the trees along the right-of-way. You could call that clearcut because you have to take all the trees off the right-of-way to build the road so that area down there was not as I described earlier an overstory removal. It was a small, thin, clearcut running down into the property there.

Mr. DOOLITTLE. Thank you. It has been charged by Mr. Stark who—I wasn't here at the beginning of the hearing, but he testified yesterday I assume he was here today, and he said, "Once Maxxam owned Pacific Lumber, it immediately and significantly increased the cutting of redwoods including virgin old-growth redwoods. Maxxam's rate of cut has doubled or tripled the rate of harvest under the old Pacific Lumber."

According to Newsweek, July 27, 1993, "The Redwood Raider began mowing down California's coastal redwoods."

Now I am still quoting Mr. Stark: "However, this level of cut was based on what is good for Maxxam's junk bond debt and interest payments not what is good for the economic stability of California's north coast. The level of cut certainly was not based on any kind of sustainable yield basis. There was no consideration of the pressures this level of cut would have on endangered species such as the marbled murrelet."

Do you agree with that charge? Are you guilty?

Mr. CAMPBELL. No.

Mr. DOOLITTLE. Why not?

Mr. CAMPBELL. Well, to start off with, we had not doubled the harvest. It is almost double. It has averaged 1.9 if you go back over the last 9 years; 1.9-percent increase, but what——

Mr. DOOLITTLE. Going back over the last 9 years goes back beyond the period when you took ownership; is that right?

Mr. POMEROY. Mr. Doolittle, your time has expired. I am trying to give you some leeway here to wrap it up, but I would ask that you do move to wrap it up and we will go another round if you like.

Mr. DOOLITTLE. All right.

Mr. Campbell, can you finish your answer to this question? Didn't you take ownership in 1986?

Mr. CAMPBELL. I have been with the company 24 years. The company did change ownership in 1986.

Mr. DOOLITTLE. But the 9-year period you are referring to extends back beyond 1986?

Mr. CAMPBELL. That is correct. We actually began to increase our harvest in 1985, right prior to the merger.

Mr. DOOLITTLE. That is the evidence of the increase, but you would dispute the charge then that—it is not even quite double and here it says it was double or triple the rate of harvest under the old Pacific Lumber.

Mr. CAMPBELL. That is not true.

Mr. DOOLITTLE. Now, did you increase all of this because you had—

Mr. POMEROY. Mr. Doolittle, I believe that is a question for the next round. The Chair has some questions.

Mr. DOOLITTLE. All right.

Mr. POMEROY. The first question I would have, Mr. Campbell, relates to the statement I just made about your long tenure with the company. How long have you been there?

Mr. CAMPBELL. Twenty-four years.

Mr. POMEROY. In what capacity have you served?

Mr. CAMPBELL. In a number of capacities throughout the years.

Mr. POMEROY. I am all ears.

Mr. CAMPBELL. You want to go back through the whole 24 years?

Mr. POMEROY. Let's go back 10 years.

Mr. CAMPBELL. Ten years. I was vice president of manufacturing 10 years ago. Then I became executive vice president of operations. I was made president of the company in 1989, and chief executive officer in February of this year.

Mr. POMEROY. During this period of time, you have had occasion to monitor closely the asset-liability mix maintained by the corporation?

Mr. CAMPBELL. Yes.

Mr. POMEROY. Is there any influence in the asset-liability mix relative to the business plan of the company?

Mr. CAMPBELL. Yes. What happened was immediately following the merger in 1986, we reinventoried the property—

Mr. POMEROY. What happened to the asset-liability mix with the merger?

Mr. CAMPBELL. It is a little tighter than it used to be.

Mr. POMEROY. In fact, the liability side of the ledger increased how much at the time of the takeover?

Mr. CAMPBELL. I don't know what the ratio is, but we certainly have met all of our obligations since then.

Mr. POMEROY. You don't recall. You were vice president of operations at the time and—

Mr. CAMPBELL. I never made that calculation of debt ratio. No, I did not.

Mr. POMEROY. How much in new additional debt did the company take on at the time its possession changed?

Mr. CAMPBELL. I think it was a little over \$600 million.

Mr. POMEROY. And this would influence somewhat your business plan?

Mr. CAMPBELL. Yes. There is no question that we had to increase the harvest to meet our obligation, but there was—with the inventories on the property, and I go back to my testimony of 1991, I think it was, yes, June 25, 1991, I think I read into the record that "the annual timber harvest-to-timber inventory ratio remains one of the lowest in the industry."

Mr. POMEROY. What has recently taken place relative to the corporate structure of the company?

Mr. CAMPBELL. Earlier this year, I believe it was in March of this year, we refinanced the company. We broke the company into three

separate entities. The majority of our debt today is investment grade rated.

Mr. POMEROY. What was the capitalization of these new companies?

Mr. CAMPBELL. Let's see, I think one of them is at \$385 million.

Mr. POMEROY. Not the amounts, how were they capitalized?

Mr. CAMPBELL. With bonds and indentures.

Mr. POMEROY. What happened to the assets of the old company?

Mr. CAMPBELL. Well, they are still under the umbrella of Pacific Lumber Company. We have three subcompanies now and there is a consolidation of the financial reporting at the end of every calculating period.

Mr. POMEROY. For corporate structure purposes the assets will actually be listed of the separate three subcompanies?

Mr. CAMPBELL. Yes, but they are all consolidated back up into Pacific Lumber Company.

Mr. POMEROY. You mentioned the additional financing interjected into the companies and how was this managed? Through the sale of long-term bonds?

Mr. CAMPBELL. Long-term bonds. We have much lower interest rates than we had previously and we have much longer maturities.

Mr. POMEROY. What is the backing for the long-term bonds?

Mr. CAMPBELL. Timber. We are in the timber business.

Mr. POMEROY. Mr. Campbell, would it be a fair statement to say that the company, Pacific Lumber Company, the company you have been with for 24 years, has in fact even merged even more leverage after the financial maneuvering of this year?

Mr. CAMPBELL. I don't believe we have anywhere near the financial pressure that we had previously to the refinancing package.

Mr. POMEROY. Not in terms of short-term interest rate, but the long-term bond obligation has increased substantially.

Mr. CAMPBELL. Yes, but that is to our advantage. I mean you pay out much slower over time as your forest is regenerating constantly at very good levels, a very high percentage and prices are going up as well so you have a double—

Mr. POMEROY. Relative again to the relationship between debt leverage and business plan, what level of cutting relative to the former Pacific Lumber must you maintain in order to meet your bond obligations?

Mr. CAMPBELL. We did a long-term study in 1986. We brought in outside consultants at the recommendation of other outside consultants. We redid our business plan. We felt that we could increase our harvest over a 20-year period because of our very high inventory levels of timber and that at some point out here in 2007, 2008, we would be on sustained yield in perpetuity.

Mr. POMEROY. Were your harvesting considerations revisited in light of your obligations to your new bondholders?

Mr. CAMPBELL. Are you talking in 1986 or now?

Mr. POMEROY. Now.

Mr. CAMPBELL. No. That is we have remained on the business plan that we developed in 1986, subject to market fluctuations as well. I mean, sometimes you can't sell all the lumber that you cut. So when you are in that position, you reduce your harvest.

Mr. POMEROY. We will begin the next round. I have additional questions and I believe other members do, too.

Mr. Hamburg.

Mr. HAMBURG. Mr. Campbell, you mentioned that the Nature Conservancy had established this 4,500-acre area, I believe your words were, as the natural biological boundaries.

Mr. CAMPBELL. That is correct. That is the words they used and that was taking into account both the drainages of Elk River and Salmon Creek and then looking at the topographical maps, going out on the ground. And if you will look, it is on a ridge line that runs around the top of the 1,500-acre area and they felt that would be more than adequate to protect both those drainages.

Mr. HAMBURG. Mr. Chairman, I would just like unanimous consent to enter into the record a letter from the Nature Conservancy to my legislative director signed by Harvey Carlson with respect to the Nature Conservancy's understanding of their discussions with Pacific Lumber with respect to the 4,500 acres.

Mr. POMEROY. Without objection, so ordered.

[The letter follows:]

The Nature Conservancy

California Regional Office
785 Market Street, San Francisco, California 94103
(415) 777-0487 — FAX (415) 777-0244

SEP 07 1993

September 1, 1993

Ms. Kate Anderton
Legislative Director
Representative Dan Hamburg
114 Cannon Building
Washington, DC 20515

Dear Ms. Anderton:

Thank you for supplying us recently with a copy of a letter Congressman Hamburg received from the Pacific Lumber Company concerning the Headwaters Forest, as well as copies of related articles in the local press. That letter may be misleading with respect to The Nature Conservancy's involvement in Headwaters Forest matters; I would like to clarify certain points here.

I believe you are aware that The Nature Conservancy worked briefly with Pacific Lumber several years ago in an attempt to help find constructive solutions to the ongoing debate over appropriate use of Headwaters Forest land. Our efforts were limited in scope and undertaken with the support and encouragement of Pacific Lumber. They were intended primarily to help achieve consensus as to the market value of the property.

As part of these discussions, a professional appraiser was engaged to value the property; the original boundary for the area to be appraised was the area described in the "Forest Forever" initiative, which attempted to delineate areas of old-growth using section lines. The Nature Conservancy felt that in order to preserve the land's value as a healthy old-growth forest it would be important to include in the appraisal area the surrounding upstream lands in the watershed. We suggested that any effort to protect the Headwaters Forest should include at least those additional lands, to shield the old-growth forest from damage due to soil erosion if those upstream lands were ever logged; the appraisal was prepared on this larger area.

Our suggestion was based on practical experience with watershed ecosystems elsewhere in the state, not on any kind of rigorous scientific analysis of the site or its ecosystem linkages. In fact, our professional staff in California does not have the forestry background needed to make such an analysis--so we supplied Pacific Lumber and the U.S. Forest Service with a list of three biological/forestry consultants, all of whom we believed had the specific expertise to help the government agencies and Pacific Lumber arrive at an appropriate boundary.

National Office, 1815 North Lynn Street, Arlington, Virginia 22209



Recycled Paper


Ms. Kate Anderton
September 1, 1993
Page 2

The Nature Conservancy never represented that the more watershed-based appraisal unit is the maximum that should be protected or an "ideal" preserve design. Our opinion was simply that these so-called buffer lands (an additional 1,500 acres more or less) should in any case be included in order to sustain the integrity of the core 3,000-acre Headwaters Forest. Our recommendation as to boundaries applied to the initial appraisal only, and must not be interpreted as a biological analysis or final protection recommendation.

At no time did The Nature Conservancy and Pacific Lumber enter into any kind of option, sales agreement, or final discussions regarding the area to be purchased or the purchase price. The letter gives the impression that we had reached some sort of agreement as to the boundaries, and that our discussions proceeded farther than in fact they did.

Thank you for the opportunity to clarify these matters. Please call on me if you have further questions.

Sincerely,



Harvey Carlson
Regional Operations Director

Mr. HAMBURG. The only other thing, Mr. Chairman, I would like to go back to the issue of the marbled murrelet and the statement that Mr. Campbell made about the comparative dearth of science about the murrelet, the lack of really hard information about this threatened specie.

You yourself have stated that there is a good deal of uncertainty in this area. And I just wondered how you feel that your company can go ahead and continue to log in these sensitive areas given the lack of science and the lack of really clear understanding about what it is going to take to bring this specie back? I ask that in light of the conclusions that were reached in the FEMAT report that the viability rating for the murrelet under the best of conditions are rather low, something around 60 percent even if Federal, State, and private land is protected and if the remaining habitat for the murrelet is protected.

So why are you confident that Pacific Lumber can continue to log this old-growth and still protect the viability of the murrelet?

Mr. CAMPBELL. I think we went through this experience with the spotted owl. If you remember, the original claims were that the spotted owl was old-growth dependent and needed an old-growth forest to survive. In fact, the science as it has developed has shown that the birds are thriving and doing very well, nesting, roosting, and foraging in second and third growth managed forests.

If you look to Dr. Ralph's testimony, in 1991 he said they really don't know how many birds there are. They think there are between 25,000 and 250,000 in Alaska and I would suggest that that is a lack of information about the species.

In our immediate area, we have all sorts of numbers being thrown out, but somewhere between 70,000 and 90,000 acres of virgin redwood timber are set aside now in parks and preserves and national and State forests. I don't believe that the researchers have done adequate work in determining how many murrelets are living in those set-asides and I don't think that harvesting 3,000 acres of Pacific Lumber Company's land is going to lead to the extirpation of the species.

Mr. HAMBURG. So this is based on what you believe, what you feel to be the case, but you don't really have hard scientific evidence that would indicate that the FEMAT report is in error or that Dr. Ralph is in error. You just feel that this would be similar to the situation with the northern spotted owl?

Mr. CAMPBELL. As Mr. Detrich said earlier, we have been working with the U.S. Fish and Wildlife Service and in Owl Creek in particular we set aside 100 acres on that timber harvest plan in mitigation areas designed where there would be no cut designed by the State department of fish and game officials.

There is disagreement between the State biologist and the Federal biologist as to how the shape of that mitigation should be, whether it should be clumps or whether it should be a block, but we have gone in and done surveys since the harvesting last year and the birds are returning to that area. So it would appear that the mitigations are working.

As you said, we have financed Dr. Ralph ourselves and the rest of industry, very large sums of money, and what we are finding out is that the critical habitat for the murrelet is actually the ocean.

Mr. HAMBURG. I would just maintain, Mr. Campbell, that given the information that we are getting now on successful reproduction of the murrelet, not on how many nests we can count, but on how many murrelets are actually returning and we are starting to get scientific evidence to the effect that this bird highly prefers returning to a certain nesting site and will return to that site again and again and just given the overall lack of information that we have that you are asking and the company is asking that we take a substantial risk in taking more marbled murrelet habitat and in addition to that, I just want to call back the testimony that we had earlier to the effect that we are not simply talking about marbled murrelets.

Marbled murrelets are an indicator species for many other old-growth dependent animals and there are a whole range of problems with endangered species that we need to protect this kind of property in order to maintain.

Mr. CAMPBELL. Well, we agree with you on the 4,500 acres.

Mr. HAMBURG. I know you do.

Thank you, Mr. Chairman.

Mr. POMEROY. It is nice to see you agreeing. The Chair will exercise the prerogative of the Chair. I will call on myself at this point for the second round. I apologize. I have a 3 o'clock appointment and would have sought the permission of Chairman Rose were he here. I hope you don't think I am taking unfair advantage.

Forget that. We will call on Mr. Pombo for this round.

Mr. POMBO. If you want to go first, that is fine.

Mr. POMEROY. We are going to run out of chairmen here. We will continue right on through the round and it will be our concluding round.

Mr. POMBO. I will get back to Mr. Dixon if I might for a few minutes and talk about your local economy and some of the statements that were made previously about how the timber industry affects your local economy.

In your opening statement, you said that it was your opinion that it is a major part of your local economy. Could you expand on that in terms of—well, what I am leading toward is, are there provisions for retraining workers, loggers who have lost their jobs. What are they going to do if there is no forest industry there, if there is no timber industry there?

Mr. DIXON. Well, that is a good question, Congressman. That is one that we would like an answer to. We don't think that retraining laid off timber employees from jobs that are well paying that allow a worker to support his family and to educate his children, we have no idea what the retraining program would be.

Previously programs for displaced timberworkers in Humboldt County, to the best of my knowledge in talking with both private industry council and people who have been offered the retraining, have not been productive and really have not solved the problem of what you do with displaced timberworkers. The concept of putting these people to work in habitat programs, stream restoration, tree planting, those kinds of things, while cosmetically sounds good, it is not a program that is ongoing.

Many of the acres that are being discussed in this proposal have already been reforested by the company itself. The company and I

have been on those lands, not at the invitation of the company, but with our own fish and game advisory committee. I have seen the instream restoration program that the company is doing, the abandonment of logging roads.

The company is doing those programs now so that the suggestion that these modified retraining programs would take up the slack from the loss of strong industrial jobs in the timber industry I don't believe is meritorious.

Mr. POMBO. So just close out this line of questioning, if we take away the productive part of the economy from Humboldt County, the people who produce something and earn a wage, then who is there going to be left to buy things in the stores and to buy cars or groceries or whatever is left of your economy?

Mr. DIXON. The point that an old colleague of mine, a friend, said to me I think is fairly relevant and he simply said that we cannot create an economy by selling hamburgers to each other and I think that concept has real merit even though it may be a bit hokey.

Mr. POMBO. Thank you.

Mr. DOOLEY [assuming chair]. Mr. Pomeroy.

Mr. POMEROY. Mr. Chairman, I have a couple of quick questions.

Mr. Campbell, we were talking about the relationship between debt equity and the business plan and you have acknowledged that the increased liabilities on your ledger have stepped up your cutting obligations.

In light of your familiarity with the transactions of this year, can you tell us why an additional \$25 million was paid to Maxxam Corporation?

Mr. CAMPBELL. We did two transactions. We have a \$25 million dividend to the parent which is quite within the indentures and was publicly disclosed that we were going to do that. The lending institution—

Mr. POMEROY. That doesn't represent—I am not saying that it was not disclosed. However, that is an additional debt that is part now of the obligation. Had you not paid the \$25 million to the parent, you would have had \$25 million less on your liability, unless you care to—

Mr. CAMPBELL. We also borrowed an additional \$35 million which we set aside in an annuity at a very favorable rate to begin to pay back to the company and in case we had some sort of an economic hiccough, we could continue to meet our obligations.

Mr. POMEROY. That is relative to your long-term debt relationship to the parent, but this looks like a \$25 million bonus now carried on the company's liabilities.

Mr. CAMPBELL. I think anyone who runs a large corporation is aware that the corporate headquarters don't produce products. They are very purely there in an administrative form and they have to have cash to function to pay those people.

Mr. POMEROY. There was a stream of cash previous to the \$25 million, of course, going to the parent.

Mr. CAMPBELL. That is true.

Mr. POMEROY. In fact, quite a considerable one. What is the obligation of the company to the employees in light of the insolvency of Executive Life, the company which was insuring the pension fund?

Mr. CAMPBELL. Well, as you are aware, that crisis was caused by the insurance commissioner in California, Mr. Garimendi when he took over—

Mr. POMEROY. I take issue with you, sir. I was an insurance commissioner previously. It seems to me that one of the primary markets for the junk bonds floated by Maxxam for the purchase of Pacific Lumber was Executive Life Insurance Company. They purchased junk bonds. And then it seems like Maxxam when they had control of the company took your pension fund and the pension funds of every other employee and cashed them out, cashed out a fully funded retirement fund for an annuity that cost much less than that, taking a profit, an annuity conveniently with Executive Life, the company that was on the other hand buying the junk bonds.

Now, there was nothing that Mr. Garimendi or his predecessor did that caused this very unseemly relationship to exist or forced a company to cash out your pension fund placing it instead in a relatively risky life insurance situation. I am frankly very surprised you would suggest that that was a regulator's fault.

Now, has the company been forced to put up additional funds for purposes of meeting obligations to pensioners in light of the company's insolvency?

Mr. CAMPBELL. Yes, we have.

Mr. POMEROY. How much money has been posted in that regard?

Mr. CAMPBELL. I think about \$900,000. Not one pensioner has lost one nickel.

Mr. POMEROY. It cost you \$1 million.

Mr. CAMPBELL. No, we are getting reimbursed for most or all of it.

Mr. POMEROY. You will get reimbursed from Guaranty Fund?

Mr. CAMPBELL. That is correct.

[EDITOR'S NOTE.—Mr. Campbell's additional information follows:]

To put this in context, I should explain that Pacific Lumber voluntarily advanced supplemental payments to its former employees who were Executive Life annuitants and who were not being fully paid by Executive Life and the State guaranty funds. Ultimately, it was acknowledged that these payments should have been made by Executive Life and/or the guaranty funds. Therefore, Pacific Lumber was reimbursed for the funds it advanced. I believe the reimbursement check came from Executive Life, but may have been funded, in whole or in part, by or through NOHLGA.

Mr. POMEROY. Who picks up the tab from Guaranty Fund?

Mr. CAMPBELL. I have no idea, but I will submit something for the record.

Mr. POMEROY. I will tell you who: Ultimately the ratepayers in the State of California as well as across the country, so ultimately everyone else picks it up.

The \$25 million and the \$900,000 are presently part of the liability situation of the company?

Mr. CAMPBELL. I am not sure whether or not we have received full payment of the \$900,000. We did get an advance on that. I am not completely sure of the total amount. The \$25 million dividend has been passed on to the parent, but is unrelated to the \$900,000.

[EDITOR'S NOTE.—Mr. Campbell's additional information follows:]

With respect to each State, I believe that each fund is funded by the insurance industry—or the carriers that operate in that State.

Mr. POMEROY. Thank you.

Mr. DOOLEY. Mr. Doolittle.

Mr. DOOLITTLE. Back to your earlier testimony, you indicated since 1984, 9 years ago, the increase in the cutting of trees was about 1.9.

Mr. CAMPBELL. I think it has averaged about 1.9 since then.

Mr. DOOLITTLE. Almost twice, but not quite twice?

Mr. CAMPBELL. That is correct.

Mr. DOOLITTLE. However, in terms of old growth, you testified in 1991, I think that is when this is, to the Interior subcommittee that increase in old growth since the merger, which would be 1986, increased by 30 percent.

Mr. CAMPBELL. That would be correct. The 1.9 percent increase was in our total forest package. The majority of the increase in the harvest has taken place in second growth and in residual timber.

Mr. DOOLITTLE. I just wanted to get that clear. We are not talking about you didn't double your rate of cut of the old growth. It went up by 30 percent.

Mr. CAMPBELL. That is correct.

Mr. DOOLITTLE. Now, Mr. Campbell, if it were possible, if you could get all the approvals, would you cut all of the trees in your forest?

Mr. CAMPBELL. Not all at one time.

Mr. DOOLITTLE. Why not?

Mr. CAMPBELL. It wouldn't be prudent.

Mr. DOOLITTLE. You mean you have some interests in keeping some trees around for the future.

Mr. CAMPBELL. Absolutely. I mean we are in the business of growing and harvesting trees on a sustained basis.

Mr. DOOLITTLE. Wait a minute. I thought Mr. Stark said that you didn't have any idea about sustainable yield.

Mr. CAMPBELL. I mentioned earlier that we developed a business plan in 1986 that allowed us to increase the harvest because we reinventoried our property. We took into account the changes that have occurred in the technical manufacturing area. You can utilize a lot more of each individual tree than you could in the past. We felt that we could increase our harvest conservatively and in the 20-year period after we have gone into a second growth, total second growth phase that we would go on sustained yield in perpetuity.

Mr. DOOLITTLE. And you would go into perpetuity beginning in what year?

Mr. CAMPBELL. Sometime in the latter part of the first decade of the next century.

Mr. DOOLITTLE. While your timber harvest plans are reviewed by timber regulatory authorities, your business plan obviously isn't.

Mr. CAMPBELL. No.

Mr. DOOLITTLE. But nevertheless you are telling us it is in your interests to ensure that there is a constant supply of trees?

Mr. CAMPBELL. That is right. Because since the merger we have invested over \$100 million in new plant and facilities in Humboldt County. We have added 300 new jobs and we would like to see that continue and the only way we can do that with all of our land zoned for timber production is to grow trees.

Mr. DOOLITTLE. So you don't plan on cutting all these trees and making a quick buck and turning it over to somebody with junk bonds to follow in your wake?

Mr. CAMPBELL. No, sir.

Mr. DOOLITTLE. We have heard testimony that you—let me see where that is that you basically cheated the pensioners out of their due and you indicated not one pensioner has lost a dime, but I mean what is the situation with the pension? Did you knowingly give money to a company that bought junk bonds that you knew was going—or believed was going—to go out of business and leave people high and dry?

Mr. CAMPBELL. At the time that the transaction was taking place with Executive Life, that company was rated triple A by all the rating agencies. There was a bidding process to buy out those annuities. All the major insurance companies participated in the bidding and Executive Life won the bid.

Mr. DOOLITTLE. So would it be fair to say that you were—

Mr. CAMPBELL. At that time, it was rated triple A by the rating agencies.

Mr. DOOLITTLE. And have you—you yourself are going to be affected by this if you have been an employee for 20 some years with the company.

Mr. CAMPBELL. That is true and our company prior to the merger was buying annuities for individuals who were retiring from our company from Executive Life.

Mr. DOOLITTLE. So you are going to take care of the pensioners and make sure that they get their due?

Mr. CAMPBELL. Yes, we will.

Mr. DOOLITTLE. \$1 million in a new plant. Do you have any pictures of that?

Mr. CAMPBELL. No, I don't, but I do have a picture of our new town that we are rebuilding because on April 25, and 26, 1992, we were impacted by three earthquakes over six points on the Richter scale and our entire downtown area was burned to the ground.

Mr. DOOLITTLE. When you say a new town, you mean one of those company-owned-type towns?

Mr. CAMPBELL. That is correct.

Mr. DOOLITTLE. You have rebuilt the company-owned town?

Mr. CAMPBELL. We rebuilt it. We put all the houses back on their foundations and are building an entirely new shopping center and I can give you a photograph of that if you wish.

Mr. DOOLITTLE. Mr. Chairman I would like to get that and put that in the record on file.

Mr. CAMPBELL. We were also doing that without any government assistance whatever.

Mr. DOOLEY. Without objection, what item do you want?

Mr. DOOLITTLE. The photograph of the new town and shopping center building. It goes to the issue of good faith. They have been impugned. It has been implied that they are not acting in good faith.

Mr. DOOLEY. Without objection.

[The photographs are held in the committee files.]

Mr. DOOLITTLE. Mr. Chairman, I suppose that red light means my time is up.

Mr. DOOLEY. Yes.

Mr. DOOLITTLE. May I ask this, since this is our last round of questioning, I do have other questions, I am wondering if I might have a few days to submit them and get the witnesses to answer them?

Mr. DOOLEY. The record is going to be open for 10 days and anybody—any member of the committee has a right to submit questions to any of the panelists which will then be included in the record.

[The information follows:]

PALCO**THE PACIFIC LUMBER COMPANY** SCOTIA, CALIFORNIA 95565 • (707) 764-2222

October 26, 1993

The Honorable John T. Doolittle
United States House of Representatives
1524 Longworth House Office Building
Washington, D.C. 20515

RE: HR 2866

Dear Congressman Doolittle:

First, let me express my great appreciation for your support during the committee hearings on October 12th and 13th. Your vision of the constitution and private property rights is so correct, and on behalf of all of the men and women of The Pacific Lumber Company, we want to thank you for speaking out on our behalf.

With reference to your recent letter asking for a response to several questions, I am pleased to submit the following:

Q -- When did The Pacific Lumber Company's total timber harvest begin to increase significantly and how did this coincide with the takeover by MAXXAM?

A -- Overall harvest levels were increased in 1986, after an intensive Independent survey by Hammon, Jensen, Wallen & Associates (the same consulting firm which earlier had surveyed the Redwood National Park) showed that The Pacific Lumber Company's above-average inventory and growth made it one of the few lumber companies in California that could increase its harvesting without adversely impacting the company's long-range timber supply or the local economy. The consultants further said that by increasing the harvest without jeopardizing continuous flow, PL could play an important role in bolstering the depressed California North Coast economy.

Q -- How much of this increase was in old growth vs. young growth?

A -- The increase in harvest volumes from pre-1986 levels was principally in young growth, residuals, and other species. The initial increase in virgin old growth redwoods was approximately 30 percent and is substantially less today.

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Q -- What factors and methods did The Pacific Lumber Company use to determine that higher harvest levels were prudent?

A -- As stated above, the independent consultant's report showed that The Pacific Lumber Company could selectively increase its harvesting without adverse impact on timber supply or the local economy. This outside report coincided with our own internally developed information. Additionally, one must remember that we predominantly harvest by the selective method and do absolutely NO clearcutting in virgin old growth redwoods.

Q -- It is my understanding that the MAXXAM high-yield junk bonds used to finance The Pacific Lumber Company takeover have been replaced with low interest bonds. When was this debt reamortized and will your timber harvest remain relatively constant even with these lower financing costs?

A -- The Pacific Lumber Company's remaining debt was refinanced in March of 1993 at significantly lower interest rates and much longer maturities. The largest portion of the debt now carries an investment grade rating. At present, our harvest level is running at an annual rate of approximately 220 million board feet per year. Harvest levels fluctuate according to market conditions, weather, and environmental conditions. At the present level, our harvest rate equals growth. In addition, we have acquired additional forestland since 1985-86 and intend to seek additional forest acquisitions.

Q -- Some have alleged that although The Pacific Lumber Company has increased employment to process increased timber harvests, many of those workers will lose their jobs eventually because the current timber harvest is not sustainable over time. Could you elaborate on those allegations.

A -- With the improvements and innovations in our production facilities -- and the expansion of our product lines -- our workforce should remain constant. Even though harvest levels fluctuate, our shipments should remain high because we have become more efficient at getting more product from each log, and we need the workforce we have to manufacture this increased volume and variety of wood products. For example, we have a relatively new end-and-edge glue plant to manufacture wood products from the kinds of boards that were formerly scrapped. That has generated jobs where formerly there were none. Also, as mentioned above, we have acquired and will seek to acquire additional forestland.

THE PACIFIC LUMBER COMPANY

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Q -- There was considerable discussion at our hearing regarding your logging at Owl Creek last November. Please describe the reasons why you believe this was a legally authorized timber harvest.

A -- To put it very simply, our harvest activity in our privately owned Owl Creek area was done in full compliance with all applicable state and federal statutes and regulations -- and under the authority of a Timber Harvest Plan (THP) that was unanimously approved by the State of California. Having obtained all of the required approvals, we began our selective harvest only to learn that yet another state agency, which did not have jurisdiction over the THP, had raised an objection. No additional approval was required and so we commenced harvesting consistent with the law in the approved THP.

To put the matter in perspective, one needs to know that the THP for Owl Creek is perhaps the most carefully reviewed THP in the history of California. It was first submitted in 1990 and has been approved and reapproved by the California Board of Forestry. In conjunction with the plan, wildlife biologists and foresters conducted over 300 hours of surveys and found no evidence of marbled murrelets nesting in or occupying the area. Further, one needs to keep in mind that the THP calls for selective harvest on only 136 acres while wholly reserving 101 acres for mitigation habitat.

Q -- What evidence is there to refute testimony stating that these lands (the 44,000 acres in H.R. 2866) are needed to ensure the survival of the murrelet in California? And what evidence or educated skepticism is there that murrelets can nest in second growth stands?

A -- Testimony on various species was presented by supporters of Congressman Hamburg's bill. These are NOT correct and are scientifically flawed.

I have taken the liberty of enclosing statements which strongly refute those given by Congressman Hamburg's witnesses.

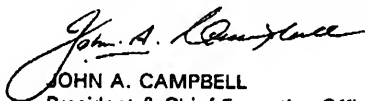
THE PACIFIC LUMBER COMPANY

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We are very proud of the stewardship of our forestlands and would be pleased and privileged to provide you and a guest with a tour of our facilities.

Sincerely,

THE PACIFIC LUMBER COMPANY

A handwritten signature in black ink, reading "John A. Campbell". The signature is fluid and cursive, with the first name "John" being particularly prominent.

JOHN A. CAMPBELL
President & Chief Executive Officer

JAC:sp
Enclosures

THE PACIFIC LUMBER COMPANY

Mr. DOOLITTLE. May I also ask, Mr. Chairman, there is an article in the Smithsonian, October 1993, by Edwin Kiester, Jr., which goes to the issue of economic impact in timber communities when you set aside large tracts of timber land for a park or preserves and this article I would like to have entered in the record.

Mr. DOOLEY. Without objection, it is included.

Mr. DOOLITTLE. Thank you.

[The article follows:]

*Smithsonian; October 1983**By Edwin Kierster Jr.*

A new park saved the tall trees, but at a high cost to the community

The trees are house-tall now, reaching toward the 350-foot heights they may eventually attain. On once cutover slopes below the Tall Trees Overlook in California's Redwood National Park, the young redwoods now march downhill, to the bend in Redwood Creek where the world's tallest trees rise out of the mist. Green stripes of grasses and hardwoods mark where old logging roads have been bulldozed and the hill graded back to its natural contours. In the rushing waters below, salmon and steelhead trout can again head upstream to spawn.

Art Eck, deputy superintendent of the park, looks about him approvingly. The overlook's display of before-and-after photographs contrasts the scene with the hillside as it looked a few years ago: an ugly battlefield of stumps, slash and chewed-up earth crisscrossed by the gashes of roads and skid trails. Now, thanks to the restoration effort, the forest is returning to its past appearance, before the saws and axes came. "The land is healing," Eck says proudly. "But of course, some scars still show."

Sentenced to hard times and heartbreak

Yes, the scars of Redwood National Park do show, and not only on the greening hillsides above Redwood Creek. Twenty-five years after the establishment of the nation's first billion-dollar national park, 15 years after an expansion more than doubled its size (SMITHSONIAN, July 1978), the trees are coming back, but the painful wounds left by a bitter battle over the park formation remain raw in the lives of the people. Loggers and former loggers, businessmen selling to loggers, and local officials of California's two northernmost coastal counties insist that establishing the park with 78,000 acres of prime timberland triggered a downward economic spiral that stole good-paying jobs, savaged the timber industry and sentenced the area to chronic hard times and heart-

break: "We are fast becoming the Appalachia of the West," one ex-logger maintains. Environmentalists and champions who fought for the park maintain that the jobs would have been lost within a few years anyway, whereas the park saved magnificent and irreplaceable trees for generations to come. "The redwoods," says Lucille Vinyard, the Sierra Club's energetic North Coast representative, "are the pride of the nation."

John Dewitt of the Save-the-Redwoods League, which has spent \$75 million in 75 years to preserve ancient trees, is uncharacteristically emphatic about who is at fault in the argument. "Thousands of people are now being laid off in the computer industry in the Western United States because they just happened to have the misfortune of working on defense projects. Timber workers have had a habit of acting as crybabies for the last 100 years, anytime anything interfered with the simple task of cutting down trees. They lost jobs, but the taxpayers compensated them handsomely for it. People are tired of listening to their complaints."

To which Chris Rowney, resource manager for the timber company Louisiana-Pacific, replies, "The park cost 2,500 jobs. I know, the defense industry is laying off 70,000 workers. But for those 2,500 up here, and their families, the jobs were just as important as they are for defense workers. Losing them was just as painful."

At a time when much of the country is suffering lost jobs, layoffs and recession, and the spotted owl showdown has brought timbering in the Pacific Northwest almost to a standstill, it is difficult to picture how much a park dedication in 1968 may have contributed to a moribund local economy in 1993. At first glance, California's beautiful and lonely North Coast, with its thick forests, rich pastureland, hidden valleys and spectacular surf-pounded beaches scarcely looks like a hardship case. Yet both the economic statistics and the mood in Humboldt and Del Norte counties are grim.

In Del Norte County, between 14 and 16 percent of the 9,600-person work force was unemployed in 1992. At \$22,917, Del Norte's average household income stood 56th among 58 California counties. In adjoining Humboldt County, the fastest-growing source of local income comes from transfer payments, such as welfare and Social Security. Inflation-adjusted household income in 1991 was lower than five years before, and 25 percent lower than the California average.

Federal, state and local government payrolls—highlighted by the new Pelican Bay maximum-security prison in Del Norte County and Humboldt State University in Humboldt—have replaced forest products as the major employer. Del Norte, which once resounded to the whine of 52 sawmills, is down to its last mill, the Miller Redwood Company, which last fall reduced operations to a single shift and now employs fewer than 125 people. During the 1992-93 rainy season, one of two remaining pulp mills in Humboldt County shut down, throwing another 262 persons out of work.

A little logging town sure to profit

Drive along U.S. Highway 101 through the once thriving community of Orick and you see economic distress at its absolute worst. Set in a lush valley and surrounded by parklands, the little logging town was pictured by park proponents as a potential tourist mecca, sure to profit from hordes of visitors who would flock to the nearby park. "They said we were going to have so many people up here in ten years that this little town wouldn't be able to handle them," recalls Pat Dorsey, a former county supervisor and owner of the town's social center, the Lumberjack Lounge. "Well, the park hasn't brought in a penny of business." Meanwhile, all but one of the town's sawmills closed. Population dropped from 1,500 to about 600—"and most of them are on welfare," Dorsey says. No tourist facilities were opened. In a final twist of irony, the park's visitor center was constructed on the site of one of the closed mills.

From the Lumberjack Lounge's front door, Dorsey, now a grizzled 83, looks out on sagging, paint-peeling houses and shops peddling redwood sculpture. "People call it 'the chain-saw massacre,'" Dorsey says. Even the Western Ancient Forest Campaign's director Jim Owens acknowledges, "The town was just left to wither and die."

Yet continue a few miles north and you can appreciate all the glory and magnificence of the great trees for which the original battles were waged. Bald Hills Road leads past Orick's last sawmill, then climbs steeply uphill to Lady Bird Johnson Grove. An easy foot trail winds among giants hundreds of years old, many as tall as a 20-story building and bigger in diameter than an oversize banquet table. Sunlight filters softly through the lattice-

work of boughs overhead, dappling the forest floor below. The atmosphere is hushed; evergreen needles muffle every footfall. The grove has all the feeling of a Gothic cathedral, with pillars soaring to a vaulted ceiling. You half expect to hear the Angelus.

Beyond the grove, you reach the park of tomorrow—the National Park Service's proud restoration project. Rehabilitation has removed 180 miles of logging roads and skid trails, planted 684,363 trees and returned 26,330 acres to their natural state. Removal of logging debris and sediment has brought fish back to the streams, and wildlife to the woods and grasslands.

"A magnificent stand of timber up there"

The results to date are impressive. John A. Campbell, CEO of Pacific Lumber and one of the environmentalists' favorite villains, says admiringly, "Eventually, that's going to be a magnificent stand of timber up there." The project attracts foresters and environmentalists from all over the world. The park has been designated a World Heritage Site and an International Biosphere Reserve.

One criticism is undisputed: Redwood National Park is almost invisible to visitors. Highway signs welcome you to "Redwood National and State Parks," but, says John Dewitt, "Redwood National Park is like a ring without the setting." The real "gems"—"the finest redwoods that ever existed," Dewitt calls them—are in Prairie Creek Redwoods, Del Norte Redwoods and Jedediah Smith Redwoods state parks. Technically the 27,000 acres of old-growth redwoods in these parks are authorized by Congress to be within the national park's 106,000-acre boundaries. But the state parks are separately managed and their independence is jealously guarded.

The state parks are also more easily accessible from Highway 101, so few sightseers venture beyond them, preferring to meander among the giant trees of the state park groves and to admire the herds of Roosevelt elk. In fact, the most popular visitor destinations in national park territory often aren't trees at all.

Assembling the park in two stages ten years apart prolonged the acrimony. The post-World War II building boom fueled a huge demand for redwood decks, paneling and picnic tables. By the 1960s, even locals became alarmed at the speed with which the ancient forests were

disappearing. "Arcata Redwood was clear-cutting right down to Highway 101, near Prairie Creek [State Park]," recalls Lucille Vinyard, who promptly became an environmental activist. "It was hideous," she says.

In 1963, a National Geographic Society team discovered what it proclaimed the tallest tree in the world, measuring 367.8 feet, on timber-company land along Redwood Creek. The environmentalist movement, just beginning to gain strength, raised a cry to protect the tall tree and its neighboring giants, as well as additional old-growth redwoods, before it was too late.

Over the next five years, half a dozen proposals were made to carve a new national park out of old-growth redwood forests. Congress compromised on a park of 30,000 acres plus the state land and incorporating Tall Trees Grove. The final price paid to timber companies was \$210 million. Some federal land was swapped for private old-growth timber.

Instead of dying, the controversy worsened. As timber companies continued to clearcut the hillsides above Tall Trees, environmentalists protested that erosion, landslides and logging debris were threatening Tall Trees and choking the streams, and lobbied Congress to vastly expand park borders.

The timber people erupted. Expansion, they argued, would remove some of the region's best timberland from production and take it off the tax rolls, with devastating effects on the timber industry, the local economy and local government—not to mention that it would throw large numbers of loggers out of work. In the end, however, a park expansion bill was passed by Congress and signed by President Jimmy Carter, adding another 48,000 acres to the park and establishing a 30,000-acre protection zone upstream from the big trees.

To placate the anguished locals, Congress sprinkled the bill with sweeteners. The U.S. Forest Service was directed to study increasing the timber harvest in nearby national forests to keep loggers at work. A revolving fund was set up to develop new businesses; federal funds underwrote a marina and an improved airport. The two counties were given compensating payments to make up for loss of taxes. A new freeway bypass was to be built around Prairie Creek Redwoods State Park, to divert heavy highway traffic from "Blood Alley" where rubber-necking tourists and speeding logging trucks shared a

road through redwood groves, and thus create construction jobs. The Park Service was directed to give priority to displaced timber workers in hiring.

The centerpiece of the bill was the Redwood Employees Protection Program (REPP), set up to ease the financial pain for workers whose jobs were taken away. Under a complicated formula that kept lawyers busy for ten years, displaced workers could receive severance pay, weekly benefits about equal to their paychecks, a combination of both or a retirement program.

"Short-service" workers who had spent five years or less in the industry received only severance packages. That meant a onetime payment of \$2,500 to \$4,000. Workers with more seniority typically received weekly stipends of \$225 to \$400 for up to 72 months, or severance ranging between \$32,000 and \$45,000.

Undeniably, REPP poured money into the troubled economy—lots of money. At its height in 1980, REPP was paying out \$250,000 a week in Humboldt County alone, making it by far the county's largest payroll. But even though young workers received nice nest eggs, and older ones a paycheck as large as if they were still working, many weren't happy about it—and they still aren't. If you want to hear lumberjack vocabulary at its sulfurous best, drop in at the Lumberjack Lounge and mention the words "park" or "REPP."

Charles Rankin, who worked for Arcata Redwood, was one of those immediately affected by the park expansion. Now a sprightly 75, Rankin was 59 then and had worked in the woods since he was 15. He had become a "faller," a chain-saw specialist who could expertly drop 300-foot trees precisely on a given spot with minimal damage to the valuable timber—one of the most skilled, dangerous and therefore highest-paid jobs in the industry. When the park expansion took Arcata's old-growth forests near Redwood Creek, Rankin found himself out of a job.

"Arcata offered to send me to their land up by Klamath," he says, mentioning a town some 60 miles north of his home in Eureka. "That would have meant two hours' drive each way, a lot of it over logging roads and through the tourist traffic in the state parks." Rankin took his benefit check until he was 62, then "severanced out." He has held a few part-time jobs since, but has resigned himself to puttering around the house and play-

ing seven-handicap golf. "No reason I couldn't have worked to 65," he declares. "I would have had six more years' contributions to my pension and qualified for higher Social Security. The park took that away from me."

Another former logger, who spoke on condition of anonymity, still spits out the word "park" angrily. "I went down to the unemployment office and they suggested I should go into retraining," he says bitterly. "They said, take a two-year course in computers. And then what would I have done? Hell, there probably weren't ten computers in all of Humboldt County."

Donavan Tolman, an earnest, friendly man of 49 who was in his 30s and a repair shop supervisor at a saw mill when the bill passed Congress, works now as a custodian for eight Mormon churches. Still, he's happy to have found a job that would at least keep him on the North Coast. "I couldn't think of leaving here," he says. "My dad and his dad cut trees to bring the highway into Crescent City. My roots are in this area. I'd rather starve than leave."

Although locals can fill you with stories about laid-off workers who squandered five-figure payoffs on speed-boats or Mexican vacations, there were also success stories—those who used the money to carve out new lives. A beekeeper hobbyist, for instance, set up a business to provide pollination services to farmers and fruit growers. Shirley Brown is another success. Brown had worked for Simpson's personnel office computing laid-off employees' REPP eligibility, and then was laid off herself. She first took benefits "and watched my sons play basketball for a few months." Then, she won a hard-earned severance judgment. She invested in a truck and set up Shirley Brown Enterprises, negotiating trucking contracts for herself and 30-odd subhaulers. She now has five office employees.

John Grobey, professor of economics at Humboldt State, shakes his head as he says that his most dire prediction, that the park would destroy the county's economic base, came true. "The taxpayers spent a lot of money, but not much came of it. Certainly not much benefited the people here. They feel betrayed."

After nine years of litigation, the federal government paid out \$688 million to three timber companies for land taken in the expansion. Interest and payments to small landowners drove the final purchase price above \$1 bil-

lion—three times the original estimate. The total bill for the jobs compensation program was \$120 million; \$233 million was set aside for the restoration projects. That was in addition to the \$306 million for the original park. Depending on whose figures you accept, Redwood National Park cost somewhere upwards of \$1.4 billion.

Disappointments in retraining and tourism

As for benefits to the local economy, Grobey notes, only a few displaced loggers joined the Park Service payroll, which today amounts to just over 170 employees. The freeway bypass contract went to a San Diego firm, which imported its own work crews. The increased cut in the national forests never materialized, and in fact quotas have dropped steadily, from 144 million board feet in 1985 to less than 11 million in 1993.

The retraining program was disappointing, partly because there were so few jobs to train for. Four hundred workers signed up, but only 115 completed their programs. Many were Humboldt State dropouts who now saw an opportunity to complete their education at government expense. More often, says Jim Yarbrough, retired publisher of the *Triplicate* in Crescent City, younger workers took the cash and departed.

Tourism has been the biggest disappointment, however. In the rosy scenario of the 1970s, the timber industry cutbacks were only to be a period of adjustment ushering in a new flood of tourism prosperity. Park advocates insisted that waves of tourists attracted to the newer, bigger park would more than compensate for the lost jobs in the woods and mills. Arthur D. Little, a management consulting firm, predicted a gain of 1.6 million visitors by 1983, and a total of 950,000 visitor-days above the numbers recorded by the state parks.

In fact, tourists have never arrived in anything like the promised numbers. Far from the projected million and a half tree lovers a year, tourist visits last year were estimated at 388,000—in a year when Yosemite, about 700 miles to the south, was overrun by well over three million.

The average visitor spends less than 50 minutes in the park. "What they get are park-and-pee visitors," sniffs John Miles of the Natural Resources Management Corporation (NRMCo), an adviser on several early park proposals. "People stop, look up at the trees, go to the bath-

room and drive on." Visitation is not helped by the park's lack of facilities. It has no tourist lodging and no drive-in campgrounds. Campsites can be reached only by strenuous backpacking.

Although Humboldt County tourism has gradually inched upward and is now the county's fifth-largest industry, the park is not the primary lure. The big tourist draw is Eureka's restored Old Town and the gingerbread mansions of the timber barons, souvenirs of the conservation-be-damned, cut-and-run logging days of a hundred years ago.

Tourism has created a few jobs, but even Jim Owens acknowledges, "It's hard to convince a man who made \$15 or \$20 an hour in a sawmill that he'll be better off working at Burger King." The average Humboldt County timber worker last year earned \$21,300. The average motel employee received \$11,500. Even then, most North Coast visitors are budget-minded, outdoors-loving families who camp in the state and county parks or head for the beaches.

Meanwhile, the area's protracted depression has brought another group of equally thrifty people. Attracted by the North Coast's spectacular scenery, rural lifestyle, clean air, and—most of all—its rock-bottom housing prices, "equity immigrants" have sold their homes in Southern California's inflated real estate market and migrated north, where a four-bedroom house commanding an ocean view may cost less than \$100,000. Some retirees have put down what *Triplicate* editor John Pritchett calls "shallow roots." They set up oceanfront residence in trailers and motor homes during the cool summers, then flee south again when the four-month rainy season drenches the area with its annual 72 inches of precipitation.

As if the downturn in the timber industry weren't enough, the two counties have been hurt by a decline in what was once the second-biggest money earner—fishing. "Commercial salmon is all but dead around here," John Pritchett says. Sport fishing, which used to attract hundreds of vacationing fishermen, has declined precipitously, too. Offshore salmon are in dramatically short supply, and severe restrictions have been placed on fishing. Environmentalists and commercial fishermen say the two problems are interrelated: fish can't get upstream to spawn because the streams are clogged with logging debris, so their numbers are dwindling.

The two counties have been further victimized by the go-go business atmosphere of the 1980s. All three of the major companies in the park expansion—Simpson Timber, Arcata Redwood (now part of Simpson) and Louisiana-Pacific—have gone through mergers, buyouts and privatizations that have resulted in consolidation and closing of mills. Louisiana-Pacific alone closed nine mills in five years (although officials say the closings were partly caused by logging restrictions).

Pacific Lumber, which was not affected either by the original park or the expansion, owns the largest stand of old-growth redwoods still in private hands. It was taken over in a hostile action by the corporate raider Charles Hurwitz and his Maxxam Corporation. The new owners speeded up cutting of old-growth, ostensibly to make up for undercutting in the past. They insisted they were benefiting the troubled economy, too, by providing more jobs. Environmentalists saw a different reason. They said cutting was increased to raise money to bail out Hurwitz's failed savings and loan institution.

Not much of the \$889 million the first three companies received for their redwood holdings found its way into the local economy. A few smaller local mills were bought up, and Louisiana-Pacific opened one new (now closed) automated mill. Instead, investment went to other parts of the country and Mexico. Company spokespersons insist that between the park expansion reducing the redwood supply, and the spotted owl controversy shutting down the national forests, California was not the soundest place to invest. John Cumming, an attorney who handled many of the severance cases, and John Dewitt of the Save-the-Redwoods League, contend, however, that the companies pitted their workers against the environmentalists, then took the money and left the workers high and dry.

To local residents, their plight can be explained as a simple matter of numbers. The 150,000 people of Humboldt and Del Norte counties comprise less than one-half of 1 percent of California's 30 million population. "[Southern Californians] sit down there on their redwood decks sipping their Chardonnay and write us off as a bunch of ignorant hicks in plaid shirts and cork boots," one ex-logger said in the Lumberjack Lounge, while other patrons nodded in agreement.

"You have to understand," says John Dewitt "that this

area was truly America's last frontier. Until the late '30s, they were almost completely cut off. There wasn't even a decent connecting highway. It was really the last hurrah of Western migration and exploitation of resources. They had to whack down forests to get enough sunshine to settle and survive, and they think anyone from the outside doesn't understand their hardships. There's a real us-versus-them mentality."

The area's isolation has also hampered attempts to revive the economy by attracting new nontimber businesses. By the coastal highway, half of it frenetic two-lane, the nearest big cities of San Francisco and Portland are eight hours away. The route east, through the Coast Range to California's Central Valley, switches back 150 times in 50 miles. The only connecting railroad is subject to frequent washouts, and airline service is limited to 16 flights a day.

A few small mail-order businesses have been established, mostly employing part-time workers at minimum wage. The Bayshore Shopping Mall recently opened, providing more than 300 jobs. (But this gain was offset somewhat as Main Street stores closed their doors, unable to compete with the mall.) Worse, shopping-mall employees, too, are mostly low-paid part-timers. For a while, a growth industry was the cultivation of marijuana, before government raids burned off the fields.

"Go here . . . you'll see the real biggies"

The most notable bright spot in the dismal economic picture is the "super slammer" at Crescent City. Opened in 1989, the maximum-security Pelican Bay Prison houses 3,800 of California's most troublesome prisoners. Pelican Bay brought 1,170 high-paying jobs and a \$48 million annual payroll to the Crescent City area. Although only a few of the \$40,000 corrections officers' positions were filled by the locals, Crescent City picked up almost six additional service jobs for every ten prison employees.

Most of all, locals resent their image as rednecks who want to chop down every last tree and turn it into book-ends. Loggers say they love the outdoors, and spend every possible minute among the trees fishing, hunting and camping; indeed, they say they know the forests better than anyone. When I told one logger that I was paying my first visit to the redwoods, he whipped out a map. "Go here, to Howland Hill Road," he said. "It's unpaved,

and a lot of people miss it. But that's where you'll see the real biggies."

The \$115 million highway bypass, which was finally opened in 1992, was an ecological disaster, locals contend. Sixteen old-growth redwoods—the very trees the highway was built to save—were cleared from the state park's right-of-way. Streams were rechanneled, disturbing fish migration, and winter rains washed out excavation and caused landslides.

Feelings about the park have been unusually intense because redwood-growing land, as opposed to that of Douglas fir and other species, is sharply limited. In the United States redwoods grow only in a very narrow 500-mile-long strip of coastal California and extreme southwestern Oregon, nurtured by heavy winter rains and by drip from the fogs that shroud the coast in summer.

Timber companies see no reason not to act. "I get very frustrated when people talk about forest preservation," Louisiana-Pacific's Chris Rowney says. "There is a perception of the forest as something different from what it really is. Trees are biological beings, like people. They have a definite life span. Like people, they reach a certain point in their life cycle when they've matured and aren't really growing anymore. A 300-year-old redwood is actually rotting more than it is putting on wood. People talk as if all the redwoods were 2,000 years old. A 700-year-old tree is a rarity. An old-growth forest is at best a static forest."

Gary Rynearson of the NRMCA adds, "People want to lock up the forests and expect them to stay just as they are. But forests don't stay 'just as they are.' They are always changing. Trees blow down, they are struck by lightning, they topple over from old age. In 1991 the Dyersville Giant, one of the most famous trees up here, fell over. It took several other trees with it. Young shoots will sprout up where those fell, and we will have a forest mosaic—young trees and older trees together. That's the life cycle of the forest."

But others maintain that the area's future lies in preserving trees, not cutting them. Laminated-wood technology makes the monster redwood beams and girders of the past obsolete. Steel, plastics and composite materials are taking the place of wood. According to this point of view, trying to keep the timber industry afloat is like subsidizing the buggy whip industry. The big trees are the North Coast's greatest asset—but as an attraction.

If they are cut, the area will have neither timber workers nor tourists.

"Our interest is in protecting the antiquity of these forests and their uniqueness as an object that came down from 160 million years of evolution to the present time," John Dewitt says. "It's an approach quite different from the economic approach. But we think beauty, esthetic value, uniqueness and environmental quality are important."

For all the bitter words, there are a few encouraging signs that the old animosities may be subsiding and the sides coming together. The Save-the-Redwoods League is attempting to serve as a bridge between the groups. "Of course, the definition of a bridge is something everybody walks on," Dewitt says. "But I think the idea is getting across that the objective is to solve a problem, not win a debate."

Some loggers have also come around. Earl Roberts is a former faller and logging contractor who now works for the Park Service. "A lot of my friends are bitter," Roberts says. "I tell 'em, the world changes and we have to change with it. The timber industry is dying. There aren't enough trees to be cutting at the rate we've been cutting. We've been using our resources much too fast. Anybody who's been around timber knows better."

The park's current superintendent, Bill Ehorn, is given high marks by the local residents. Ehorn, who directed the establishment of California's Channel Islands National Park as a popular tourist destination, hopes he can similarly build up Redwood Park's appeal. He has made a point of cultivating local groups, leading tours into the park to show off the restoration and discussing future plans every chance he gets.

Recently, Ehorn distributed a solicitation to investors for a 75- to 100-bed lodge and conference center. "One of the problems here is that the park has no center," he says. "People never feel they have arrived." Having a comfortable place within walking distance of the trees would also attract groups and persuade visitors to lengthen their stays. He has been looking at sites near Orick, within view of elk herds and only a short stroll from redwood groves.

Ehorn explains: "I tell people here frankly, 'Look, the park's been here 25 years and it isn't going to go away. The timber industry will never be the same again, fishing

is hurting, what is there for the future except tourism? The sooner we work together, the more we market together, the better off everyone will be. If we put the past behind us and cooperate, we can make Redwood Park a win-win situation."

Driving home past the decaying houses of Orick, and commiserating with the former loggers at the Lumberjack Lounge, however, it is not easy to see a rosy future. One can only conclude that, for the unhappy neighbors of Redwood National Park, a winning situation cannot arrive one moment too soon.

Mr. DOOLEY. Just one final comment. As we move forward with considering this legislation, I have some concerns as a member of the full Agriculture Committee on what appears to be almost two separate issues. We have the issue of do we want to, in fact, protect a certain amount of land that has a unique resource on it, and I am somewhat troubled by some of the questions that I heard earlier today dealing with what has to be the financing of a private company.

As a farmer who invests in farmland that incurs debt, I question whether or not we want to set a precedent on dealing with the financial conditions and that being the impetus for developing protection for certain lands and hopefully we can focus on whether or not this is a unique resource that needs to be protected and how we will finance it.

With that, I thank all the people who participated in this panel and encourage your continued participation in trying to find a resolution to this issue.

[Whereupon, at 3:10 p.m., the subcommittee was adjourned to reconvene, subject to the call of the Chair.]

[Material submitted for inclusion in the record follows:]

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STATEMENT OF DAN HAMBURG

IN SUPPORT OF THE HEADWATERS FOREST ACT, H.R. 2866
SUBCOMMITTEE ON SPECIALTY CROPS AND NATURAL RESOURCES

October 13, 1993

Thank you, Mr. Chairman, for convening this hearing on the Headwaters Forest Act. I want to thank my colleague and co-author Pete Stark for his work on this bill and on this issue over the past several years. I am pleased to address you today about this bill, co-sponsored by 90 of our colleagues, and endorsed by the Sierra Club, the Wilderness Society, the Audubon Society, Greenpeace, and the Western Ancient Forest Campaign, among others.

Few issues have galvanized the people of California's north coast more than the protection of the Headwaters Forest. Indeed, this forest has become a focal point statewide and even nationwide among those who believe that the last remnants of the ancient redwood forests should be protected and preserved. Of the original two million acres of these trees on the Pacific coast, only about 80,000 acres remain today.

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The Headwaters Forest Act authorizes the Secretary of Agriculture to initiate negotiation which over time will result in the transfer of approximately 44,000 acres of redwood forest in Humboldt County from private to public ownership. 88% of the land will be managed for multiple-use including timber operations.

The groves of old growth, just over 5,000 acres, will be placed off limits for any logging operations. This is the largest remaining unprotected virgin redwood forest in the world.

Standing 300 feet high in these groves are some of the most magnificent life forms in creation: giant redwoods many over 1000 years old, anchor a now rare and fragile ecosystem. Use of bulldozers to harvest old growth trees makes the old growth top soils particularly vulnerable to erosion. Erosion threatens the streams that begin and run through these forests. Located in highly erosive geologic formations, any additional sedimentation threatens the spawning grounds of the anadromous fish that return to these waters.

I wish to offer today for the record testimony by Dr. Peter Moyle, Professor of Fisheries at the University of California at Davis, and the leading expert on coho salmon in California.

A petition to list coho salmon throughout its range in the lower 48 states will be filed later this month. The Pacific Northwest has lost more than 90% of its wild coho and with them over \$100 million per year in income from recreational and commercial fisheries as well as a spiritual and cultural heritage. In California alone, 200,000 wild coho spawned fifty years ago; today less than 5,000 spawn.

Dr. Moyle estimates that 5-10% of the remaining wild coho salmon left in California spawn in watersheds which will be protected by the Headwaters Forest Act and characterizes one population as exceptional by today's standards. The importance of his findings in light of the imminent listing of the coho cannot be overemphasized. I would also like to draw attention to the declaration by Dr. Moyle that his knowledge of coho in the Yager Creek drainage is limited because Pacific Lumber Company denied access for data collection.

The Headwaters Forest Act calls for three of the most important steps necessary to arrest the collapse of coho and rebuild the stocks: low impact logging; preservation of old growth groves; and protection of headwaters areas to preserve downstream habitat.

These old growth groves are critically important for a number of terrestrial species as well. In addition to providing

habitat for the celebrated spotted owl and the endangered bald eagle and peregrine falcon, these forests are one of three primary nesting sites in California for the marbled murrelet.

Listed as threatened in 1992, the murrelet population in California is estimated at 2000, an estimated decline of 90-95% of their historic populations, a decline directly related to the loss of old growth forest habitat.

I would like to offer also the written testimony of research, wildlife biologist Kim Nelson of Oregon State University and chair of the Marbled Murrelet Technical Committee of the Pacific Seabird Group. Ms. Nelson concludes: "[T]he acquisition and preservation of the Headwaters Forest [is] key to the survival and recovery of the murrelet in California."

The Headwaters Forest ecosystem is far more than the sum of its parts; far more than important habitat for a number of threatened and endangered species.

A great deal has been made of MAXXAM, Inc.'s aggressive harvesting of these forests since acquiring Pacific Lumber Company with junk bond revenues in a takeover nearly eight years ago. The high quality and price of lumber manufactured from old growth redwood make it a logical target for the company. But the old growth ecosystem is simply not a renewable resource. Can we

as a society, afford to forfeit it to satisfy the corporate debt obligation of an investor who practiced the art of the eighties' junk bond finance? In this case, the public interest is diametrically opposed to the corporate interest in profit.

The public investment necessary to own and control this property is a matter of great debate and profound concern. An appraisal based on the stumpage value of every tree in the proposed 3000 acre Headwaters Wilderness area and a surrounding 1500 acre buffer valued that portion of the property at hundreds of millions of dollars. But no one can contend that the public should pay for value that could never be realized by the current owner. State and federal regulations undeniably limit harvest potential. Negotiations must establish a realistic value based on the actual ability to harvest.

In the final analysis, after weighing all the evidence about the impact on jobs, about the need to avoid environmental "train wrecks" with respect to the marbled murrelet and the salmon fishery, about the unique ecological significance of ancient forests, we will have to look within and make a decision about the public interest.

We will have to make that decision without full knowledge because in truth, we know very little about these magnificent forests. We do know, however, that there is a great deal to

learn about the hydrologic effects, the climatic effects, the whole life support system that is the ancient redwood forest of the Pacific northwest.

Even if we are far from a thorough understanding, we can no longer plead blind ignorance. We know that these forests are finite. We know that when they are cut, there inevitably will be job loss unless the industry invests in re-manufacturing. The question is not whether jobs harvesting and milling old growth redwood will be lost, but when and whether the few irreplaceable ancient forests will be standing or gone forever.

We know also, that in the largest sense, we are not separate from these forests. We too are part of the ecosystem. Undoubtedly, we gain when these giant trees cohabit the planet with us. We can pretend the problem just doesn't exist. Or we can deal responsibly and creatively with the problem of the decline of our ancient forests, as this bill seeks to do, and be much richer in the long run.

ORTNEY PETE STARK
 NINETEENTH DISTRICT, CALIFORNIA

CONGRESS OF THE UNITED STATES
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 WASHINGTON, D.C. 20515

COMMITTEES:
 WAYS AND MEANS
 DISTRICT OF COLUMBIA

CONGRESSMAN PETE STARK
 TESTIMONY BEFORE
 SUBCOMMITTEE ON SPECIALTY CROPS
 AND NATURAL RESOURCES
 AGRICULTURE COMMITTEE
 OCTOBER 13, 1993

MR. CHAIRMAN and Members of the Committee, thank you very much for holding this important hearing today. I am pleased to join with my colleague, Mr. Hamburg in strong support for our legislation H.R. 2866, the Headwaters Forest Act. This legislation will provide protection for magnificent, virgin, old growth redwoods. These towering, living antiques deserve our protection. This legislation does that.

Congressman Hamburg has described the legislation and the areas that are authorized to be acquired by the federal government. This Committee also addressed similar legislation I introduced last Congress and many Members are familiar with the issue.

Pacific Lumber was a responsible timber company for over 100 years. That history was altered forever by the junk-bond financed buyout of Pacific Lumber by Maxxam controlled by Charles Hurwitz. Since Maxxam's takeover the interests of the North Coast communities -- sustainable timber harvests, and the environment -- have given away to the relentless need to make interest payments on bonds and send profits to Maxxam's Houston headquarters.

Maxxam will likely provide you with testimony about the wonderful history of Pacific Lumber. What they will not provide you with is the sordid history of Charles Hurwitz and Maxxam. Charles Hurwitz's business associates in his acquisition of Pacific Lumber are the convicted felons Michael Milken and Ivan Boesky and Drexel Burnham Inc.. Lawsuits from former Pacific Lumber shareholders are still pending on accusations of stock fraud by Hurwitz and Maxxam.



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Maxxam and Hurwitz are under investigation by the Federal Deposit Insurance Corporation for a bankrupt thrift known as United Savings Association of Texas. Estimates are that Hurwitz and Maxxam could owe the federal government in excess of \$500 million for, according to the Wall Street Journal, "breach of fiduciary duty and wrongfully failing to maintain the net worth of a failed thrift linked to Michael Milken."

In order to show their concern for retirees from Pacific Lumber, Maxxam looted Pacific Lumber's pension fund of \$60 million dollars for other corporate buy-outs and debt reduction. Maxxam purchased annuities at the now bankrupt Executive Life Insurance Company. This action put the retirees' pensions at risk. The U.S. Labor Department sued Maxxam over this action alleging Maxxam breached their fiduciary duty to members of Pacific Lumber's pension plan. The suit is pending.

Once Maxxam owned Pacific Lumber, it immediately and significantly increased the cutting of redwoods, including virgin, old growth redwoods. Maxxam's rate of cut is double to triple the rate of harvest under the old Pacific Lumber. According to Newsweek, July 27, 1993, the "Redwood Raider...began mowing down California's coastal redwoods." This level of cut was based on what is good for Maxxam's junk bond debt and interest payments, not what is good for the economic stability of California's North Coast. The level of cut certainly was not based on any kind of sustainable yield basis. There was no consideration of the pressures this level of cut would have on endangered species, such as the marble murrelet.

Maxxam's eagerness to chain-saw thousand-year-old trees for quick profit has run them afoul of federal and California endangered species laws. Maxxam is being investigated by the U.S. Fish and Wildlife Service and the California Department of Fish and Game for two apparently illegal cuttings of significant amounts of old growth redwood in an area known as Owl Creek, a nesting area for the endangered marbled murrelet. According to the Wall Street Journal "Fish and Wildlife is considering seeking criminal charges. Says James Steele, the top state biologist for Owl Creek: 'They basically conducted sneak attacks out there.'" While pretending to look for marble murrelets, Maxxam has renewed requests to cut down prime habitat areas like Owl Creek.

Lest one think the spots have changed on Hurwitz or Maxxam, one does not have to look any farther than the recent corporate refinancing conducted this year by Maxxam. Once again in the refinancing Houston corporate interests are dominant. Once again a sustainable job base and environmental concerns are sacrificed to Maxxam greed. Hurwitz and Maxxam have issued almost \$600 million in new bond debt to pay off the existing \$510 million in debt.

Where does the extra money go? Allan Sloan in the Los Angeles Times January 17, 1993:

Hurwitz is doing what they teach in junkmeister school: borrowing. Why borrow \$579 million to repay \$510 million of bonds? So he can put fees, prepayment penalties and some current interest on the tab---like paying off your Visa by mortgaging your house. Not to mention my favorite: \$25 million of the borrowing would go for Pacific Lumber to pay a dividend to Maxxam.

How can a borrowed \$25 million payment going from Scotia to Houston possibly be in the interests of the timber workers or North Coast communities? Does mortgaging redwood forests for decades to send \$25 million to the "Houdini of High Finance" provide stable jobs for timber workers?

I would like to address the issue of the cost of the legislation. Every estimate Maxxam will provide will obviously be inflated. The value of the land should not be judged on what the timber would bring at the sawmill because it is quite possible some of these trees could never be legally cut. This would reduce the value of the property substantially. Legislation I have introduced, H.R. 1422 would impose a severance tax on old growth redwoods, further reducing their value. There will be income from the land to the federal government as the Forest Service determines what is appropriate to harvest in a sustained fashion. There will be a cost, but I believe Americans are willing to make this investment in this resource.

Mr. Chairman, Maxxam simply should not have stewardship over such an important non-renewable national resource as the last unprotected, virgin old growth redwoods anywhere. The Forest Service can manage the lands with more values than just profit in mind.

This legislation has broad national support. More than 80 of our colleagues, along with the Sierra Club, the Wilderness Society, and the National Audubon Society support this legislation. Frankly, Mr. Chairman, when people hear that 1000 year old, virgin, old growth redwoods are being chain-sawed to pay interest on junk bonds support for the legislation grows.

Thank you.

STATEMENT OF
GEORGE M. LEONARD, ASSOCIATE CHIEF
FOREST SERVICE
UNITED STATES DEPARTMENT OF AGRICULTURE

Before the
Subcommittee on Specialty Crops and Natural Resources
Committee on Agriculture
United States House of Representatives

Concerning H.R. 2866, Headwaters Forest Act

October 13, 1993

MR. CHAIRMAN AND MEMBERS OF THE SUBCOMMITTEE:

Thank you for the opportunity to present the views of the Department of Agriculture regarding H.R. 2866, the "Headwaters Forest Act." Accompanying me today is Dr. C. John Ralph of the Pacific Southwest Research Station.

The Department of Agriculture supports the goals and objectives of H.R. 2866 and is interested in working with the Congress to see this proposal effected. However, there are serious cost issues associated with the bill as currently drafted. The Administration is willing to negotiate with the involved parties to see if the objectives of the bill can be achieved.

H.R. 2866 would adjust the boundaries of the Six Rivers National Forest to include approximately 44,000 acres of private timber lands belonging to Pacific Lumber Company. The timber lands are redwood forests on productive growing sites. The bill would direct the Secretary of Agriculture to acquire

these lands by donation, purchase with donated or appropriated funds, or exchange, and to manage them as part of the Six Rivers National Forest. Approximately 3,100 acres of old-growth redwoods, called the "Headwaters Forest" are included in these private lands and, upon acquisition by the Federal Government, would be designated as wilderness. The bill would require the Secretary to prepare: 1) a land acquisition plan within 6 months of enactment, 2) a comprehensive management plan for the lands to be acquired within 1 year of enactment, and 3) a report for a "Study Area" which analyzes the potential for additional acquisition of approximately 13,620 acres within 1 year of enactment.

The bill would also require the Secretary, subject to appropriations, to make ten annual payments to Humboldt County, California in an amount equal to the State of California Timber Yield Tax revenues which would be paid if the lands were not acquired by the United States.

The area to be acquired under H.R. 2866 has excellent natural resource attributes. Habitats for a variety of sensitive, threatened and endangered wildlife species are provided by these Pacific Lumber Company lands. These include year around habitat for the northern spotted owl (listed as threatened), foraging habitat for the peregrine falcon and bald eagle (listed as endangered), and nesting habitat for the marbled murrelet (listed as threatened). The area also includes

freshwater and anadromous salmon and steelhead fisheries and potential for a wide array of outdoor recreation opportunities. Appropriate management direction for these resources and provision of long term protection of soil and water could also be provided through the Forest Planning process with full public involvement.

The old-growth on Pacific Company lands including that in the "Headwaters Forest" are pristine, old-growth, redwood forests, and contain the majority of the birds in one of the three remaining populations of Marbled Murrelets in California. The management of Headwaters Forest, other old-growth, and the additional surrounding lands would include practices to ensure the persistence of the Marbled Murrelet in California, and reduce concerns for the species' management on National Forest System lands outside of the proposed acquisition.

Our main concern with H.R. 2866 is the cost of land acquisition. An estimate of the cost of acquisition for the approximately 4,488 acre Headwaters Forest, including the value of the standing timber, is approximately \$500 million. The appraisal on this property was completed last spring and approved for Agency use on September 13, 1993. No appraisal has yet been conducted on the 44,000 acre area identified for potential purchase and addition to the Six Rivers National Forest as proposed in H.R. 2866. The bill authorizes appropriations for planned acquisition and other costs.

However, the cost of acquiring the 4,488-acre Headwaters Forest represents more than half the total Land and Water Conservation Fund (L&WCF) dollars appropriated nationally for National Forest acquisitions during the entire history of the L&WCF. The Administration is interested in exploring a number of possible alternatives to purchasing land including conservation easements, land donations, and land exchanges to accomplish the objectives of this legislation.

It should be noted that coastal redwood is a species in high demand, with a limited supply, as nearly all of the coastal redwood harvested and sold in the world originates in Northern California. As a result, the price of redwood is increasing more rapidly than other species.

Under current management, Pacific Lumber Company annually harvests about 200 million board feet of timber from their approximately 191,000 acres of timber lands. However, this volume will decline as available old-growth is cutout over the next decade. Until the land management plans for the area are developed, we cannot estimate the volumes and revenues that might be realized if the lands were placed into public ownership as proposed.

The bill provides for the development of a comprehensive management plan within one year of enactment. Development of such a plan would require: 1) public involvement as required by

the National Forest Management Act; 2) resource inventories, including threatened and endangered species inventories; and 3) consultation with the U.S. Fish and Wildlife Service concerning threatened and endangered species. Accomplishing these tasks would take a minimum of three years. Because of the high administrative costs associated with this planning process, we would recommend that the development of management plans not proceed until the lands are acquired.

Mr. Chairman, the forest lands in question possess excellent natural resource attributes and the Headwaters Forest has important wilderness attributes, the Department of Agriculture supports the goals and objectives of H.R. 2866 and is interested in working with the Congress to meet the objectives of the bill.

This concludes my prepared statement. We would be pleased to answer the Subcommittee's questions.

Testimony for the Subcommittee on Specialty Crops & Natural Resources
Committee on Agriculture
The U.S. House of Representative

October 13, 1993

By Kathy Bailey
Chair for State Forestry
Sierra Club California

Thank you for the opportunity to testify on behalf of the Headwaters Forest Act, HR 2866.

My name is Kathy Bailey. I am the Chair for Sierra Club's California State Forestry Committee. Our committee's focus is the 7 million acres of California forestland owned by the timber industry and other private land holders. I have worked virtually full time as a volunteer on forestry issues since 1988 and have been active off and on since 1976. I have lived near Boonville, in west-central Mendocino County, California, for 22 years.

We are here to consider the future of the last remnant of what's known in California as the Redwood Empire. The historic range of the redwood forest was from south of San Francisco Bay, north to the Oregon border in a band no wider than 40 miles along the coast. Two hundred years ago this area was blanketed with majestic redwoods, trees eight to fourteen feet or more across, taller than the Capitol Dome, and up to 2000 years old. Today less than five percent remain uncut, including all existing park land and the proposed acquisition known as Headwaters Forest.

Sierra Club joins with the Wilderness Society and the National Audubon Society in supporting the Headwaters Forest Act because it provides the only foreseeable chance to maintain this significant portion of the environmental heritage of the redwood region. We specifically support, at a minimum, the 44,000 acre acquisition area and the bill's focus on reestablishing the links between the virgin, uncut blocks of forest which remain in order to enhance the habitat value of the area.

Although there are some beautiful stands of virgin redwoods in existing state and federal parks, there is no redwood forestland in the U.S. Forest system. Through a quirk of history the entire redwood ecosystem is held by industrial timber companies and other private holders. The land is designated "timber production zone" for tax purposes, and the primary use is, in fact, wood products production.

Although the state's Forest Practice Act mandates sustained yield and protection of water, wildlife and aesthetic values, the regulations governing logging have never set

clear, enforceable standards for any of these mandates, and the decision of how much and how fast to log the state's redwood forests are dictated purely by market conditions. How have these market forces shaped the timber economy and the redwood forest ecosystem? What can we expect in Humboldt County without the Headwaters Forest Act?

To look into the future of Humboldt County's timberland, one need only examine Mendocino County, its next door neighbor to the south, where I live. Until very recently Mendocino County was the second largest timber producing county in the state, by value. But now, on the largest industrial timber holding in the county (Louisiana-Pacific), company data supplied to the Board of Supervisors in 1992 shows that 84 percent of the company's 300,000 acres is stocked with trees 35 years old or younger, and only 4.8 percent consists of trees over 65 years old. If you wanted to cut these trees when they produce the largest possible amount of lumber you would cut them at around 100 years of age. The condition of the resource is very similar on lands owned by the county's other major industrial owner, Georgia Pacific. There is no old growth at all remaining on industrial lands, and only the tiniest of islands on other private holdings and in state parks. The largest block of old growth redwoods in the county is around 160 acres.

Louisiana-Pacific has laid off over half of their workers since 1989, has closed half their mills in the Western Division. Although industry has tried to blame reduced timber supplies from federal sources for mill closures, a senior L-P company forester testified in Mendocino County Superior Court that L-P got a maximum of about 20% of their local timber supplies from the national forest before that source was severely cut back. The unfortunate truth is we're almost out of merchantable trees in Mendocino County, once the heart of the redwood region.

What does the sorry Mendocino County timber story have to do with Headwaters? The main differences between my home county and the Headwaters area are time and ownership patterns. Mendocino's redwood forestlands were owned by national, now internationally, operating timber companies. The Headwaters area was owned until 1986 by a local company whose philosophy was sustained yield. Mendocino was also closer to the timber-using urban markets. With the ownership change at Pacific Lumber the last significant and unprotected areas of the original redwood ecosystem are now fully at the mercy of market conditions. The price of old growth redwood lumber is very, very high.

I am sure you will be told by industry that California has the strictest logging laws in the country for non-federal timberlands. This is probably correct. The question is do they provide an adequate level of environmental protection? In a rare moment of candor California's State Board of Forestry admitted in a 1991 document supporting proposed new regulations that, "Past failure to regulate industrial timberlands has resulted in long-term over harvesting, drastically reducing both the

productive capability of the land and maintenance of adequate wildlife habitat." Nevertheless, the proposed strengthening regulations were never adopted.

According to figures provided in 1989 to the Forest Advisory Committee of the Mendocino County Board of Supervisors by the state's forestry research program, industry was cutting almost three times as much wood as their lands were growing in Mendocino County.

What about local fisheries which once supported a thriving industry? According to an inventory prepared for the Department of Fish and Game, in 1965 surveyed Mendocino County rivers supported 19,000 Coho salmon and 48,000 steelhead trout, and they were concerned then because the numbers had dropped severely from previous tallies. In 1991 those same streams supported only 800 Coho salmon and 2800 steelhead. Where did the fish go? In our county there are no major agricultural diversions or huge hydroelectric dams to complicate the analysis. Logging is *the* significant factor. Fish streams have been silted up with logging runoff and overheated from lack of tree cover.

I am currently involved with attempts to modify a timber harvest plan in Del Norte County which the California Department of Forestry has approved over the objections of the Department of Fish and Game. The Forestry department, in its official response to public and agency comments, reasons that there is no need to protect the last mature trees in this watershed because it's already been so cut over there is no wildlife left to protect.

In papers filed with the Securities and Exchange Commission by the MAXXAM Corporation, owner of the Headwaters Forest area, the company provided a substantial amount of data regarding their standing inventory and outlined its plan to liquidate the mature trees on its own timberland in order to pay off the timber collateralized bonds it issued as a result of Pacific Lumber's 1993 re-organization. I am not only speaking of old growth trees but also of the 60 to 100 year old trees that make up the bulk of MAXXAM's holdings. Although each timber company has its own management style it is clear that the necessity to pay off \$385 million worth of timber collateralized notes will make it imperative for MAXXAM to log substantially all of its existing merchantable timber during the life of the bonds, the next 22 years. There is nothing in current state logging rules to prevent that liquidation although environmental groups are engaged in continuous rear-guard litigation to enforce state and federal laws which should provide some protection if they were only properly implemented.

According to public records available at the California Department of Forestry and Fire Protection, within the 44,000 acre proposed Headwaters acquisition area, MAXXAM has already logged a total of 23,348 acres since it acquired Pacific Lumber in 1986. Of those totals, 3615 acres of virgin redwood, never before entered for logging, were cut between 1986 and 1991. Litigation has since put virgin logging plans in that area on hold. In addition, within the acquisition area MAXXAM logged

18,825 acres of what's called residual old growth. These are the trees the previous management had left behind. These stands contained from four to ten old growth trees per acre with trees up to 12 feet in diameter. Because these residual stands are running out, the company has turned more and more to logging the second growth trees, ranging in age from 60 to 100 years old.

Humboldt County is the only area left in the ecosystem which still retains some of the original character of the redwood region. Headwaters lies between two areas of existing redwood park land. It provides a crucial link between them. Some will suggest that only the largest uncut, virgin island of 3000 acres should be protected. I would suggest to you that we need more than a tree museum here. We need a functioning redwood forest, one that maintains the existing old growth and also maintains the younger, but still significant 60-100 year old trees as well. It is only a matter of time until that second growth forest is also gone throughout the region, as it is already in Mendocino County.

Without the Headwaters Forest Act it is only a matter of time until the world famous redwood ecosystem will be reduced to just another landscape of short, bushy green conifers with lots of deer, raccoons and skunks, but not much else in the way of wildlife. My children, born and raised in Mendocino County's redwood country, did not believe that coast redwoods are the world's tallest trees until we drove them three hours north to Humboldt Redwoods State Park.

We can't go back, but we can make some guesses about the future. The Headwaters Forest Act may well be our last chance to maintain this part of our country's original natural heritage. I believe future generations will thank you for your help in maintaining this wondrous part of our world.

(Attachments follow:)

MAXXAM THP's in Headwaters Acquisition Area
(Timber Harvest Plans)
1986-1993

<i>Year</i>	<i>2nd Gr.</i>	<i>Residual Old Growth</i>	<i>Virgin</i>	<i>Total</i>
1986	317	3166	532	4015
1987		283	1266	1549
1988		4260	659	4919
1989		2218	649	2867
1990		3230	378	3608
1991		3564	131	3695
1992		1623		1623
1993	591	481		1072
TOTAL	908	18,825	3615	23,348 acres

Compiled from Timber Harvest Plans on file with the California Department of Forestry and Fire Protection

by Greg King, Charles Powell, and Kathy Bailey

THP numbers, acreage, stand type, and logging system available on request.

707-895-3716

Explanation for Following Two Pages: Addendum for Silvicultural Information

By Kathy Bailey

The Addendum for Silvicultural Information is part of a MAXXAM Timber Harvest Plan, the document which must be filed with the State of California in order to get a permit to log.

Within the text of my testimony I refer to the likelihood that the MAXXAM ownership will have substantially all of its second growth timber logged over the next twenty years, reducing the area to an ecosystem of young regeneration growth trees of a maximum of 40 years, a vastly different type of forest than either an old growth or 100 year-old second growth forest.

In the Addendum (2 pages following) item 1 describes the existing stand: second growth redwood and Douglas fir.

Item 3, 4, and 5 show that 100 acres will be selectively cut, leaving some of the older trees, and 151 acres will be clearcut, leaving an area which will be planted with eight-inch seedlings.

Item 7 shows this stand currently is 100 years old with 20 year undergrowth.

Item 6 states that future entry of the selectively logged sites will be within 10-20 years. It is at that entry that all the remaining 100 year-old trees will be logged, leaving a stand of 30-40 year old trees, with those trees in the previously clearcut area being 10-20 years old.

ADDENDUM FOR SILVICULTURAL INFORMATION
April 29, 1992

Timber Stand Data

All numbers are gross volumes estimates

1. This is a second growth stand with primarily redwood and Douglas-fir.

Current growth bd. ft./ac./yr:

474 bd. ft./ac./yr.

2. Preharvest volume bd. ft./acre:

Selection

Redwood

Douglas-fir

42,440

4,960

Clearcut

Redwood

Douglas-fir

42,440

4,960

Post harvest volume bd. ft./acre:

Selection

Redwood

Douglas-fir

20,000

2,000

Clearcut

Redwood

Douglas-fir

0

0

ADDENDUM FOR SILVICULTURAL INFORMATION - (Cont.)
April 29, 1992

Timber Stand Data

All numbers are gross volumes estimates

3. & 4. Preharvest basal area/acre:

Selection

Redwood

Douglas-fir

251

4

Clearcut

Redwood

Douglas-fir

251

4

Post harvest basal area/acre:

Selection

Redwood

Douglas-fir

100

0

Clearcut

Redwood

Douglas-fir

0

0

5. The selection will release the stand, which will maintain growth in volume. The selection area will also provide habitat beneficial to wildlife post harvest.

The clearcut area will be immediately regenerated to achieve maximum site production of quality timber products dictated by the rules.
6. Future entry in the selection area is estimated to be within 10 to 20 years.
The clearcut area will be entered in 60 years.
7. The area is Site Class II redwood and Douglas-fir second growth which is 100 years old with 20 year old under growth.

STATEMENT OF CECELIA LANMAN,
ENVIRONMENTAL PROTECTION INFORMATION CENTER (EPIC)

COMMITTEE ON AGRICULTURE
Sub-Committee on Specialty Crops & Natural Resources
October 13, 1993

Thank you Mr. Chairman and members of the Committee for the opportunity to testify today in support of the Headwaters Forest Act, H.R. 2866.

My name is Cecelia Lanman. I have been a small forestland owner in Humboldt County since 1977. I have done restoration work to improve timber stands and planted thousands of trees to prevent erosion and siltation of nearby streams. My children go to school with children of logging families whose parents used to work in the small mills that dotted every watershed.

I am currently the Project Director for the Environmental Protection Information Center (EPIC), a grassroots organization dedicated to protecting the health and biodiversity of our region's forests. I have served as a member of the EPIC Board of Directors since 1982. I have been active in the Ancient Forest Alliance since its inception in Portland in 1988. I am also the president and a founding member of Forests Forever. I am committed to protecting the ecological integrity of the redwood region.

The ancient forest of California's North Coast is unique among our Nation's major forest bioregions. The diverse forests of the region include redwood, hardwoods and Douglas fir and provide habitat for many endangered species including the Northern spotted owl, fisher, red tree vole, marbled murrelet, olympic salamander, tailed frog and Coho salmon. Unlike the Klamath and the Sierra forest bioregions, which are mostly within federal jurisdiction, the coastal low elevation forests are predominantly on private lands and are under intensive corporate management.

96% of the original two million acre ancient Redwood ecosystem is gone. 76,000 acres remain in fragmented groves within the park system, and the remaining unprotected ancient forests are slated for logging. The fragmentation of the ecosystem has resulted in severe degradation of water quality, soil productivity, fisheries, wildlife habitat, and other ecological processes which are critical to sustain the health of the forests and rural economies in the North Coast region. In less than a century, corporate exploitation has brought species to the brink of extinction and threatens the livelihood of our communities.

The ecological crisis in the redwoods, the takeover of Pacific Lumber by Houston-based MAXXAM corporation and the subsequent liquidation

logging are national issues. The plunder of irreplaceable ancient redwood forests continues while state and federal agencies fail to enforce the Endangered Species Act (ESA). Pacific Lumber's logging of Owl Creek, known as an occupied Marbled Murrelet nesting area, highlights the inability of the state and federal agencies to enforce laws designed to protect threatened and endangered species habitat. Habitat and species protection entails ecosystem protection on a large scale level.

There are numerous compelling reasons why the H.R. 2866 must encompass 44,000 acres to adequately protect endangered habitat and provide restoration opportunities. Recovery of threatened species entails creating biological corridors and migratory routes between existing ancient forest islands. Similarly, the needs for forest restoration and rehabilitation jobs for displaced timber workers are better served if a large acreage bill becomes law.

The Headwaters Wilderness and the associated groves contain the largest unprotected ancient redwood forests remaining in the world. It is a rare and irreplaceable national treasure. These forests deserve permanent protection through federal acquisition, wilderness designation and the rehabilitation of the biological integrity of the area. The Headwaters Forest which lies between Redwood National Park and Humboldt Redwoods state parks will provide an essential genetic link important to the recovery of threatened and endangered species.

The fate of the Marbled Murrelet, a small seabird which nests in coastal ancient forests, is tied closely to the fate of these remaining ancient forests. The murrelet is listed by the federal government as "threatened" and by the state as "endangered". The area under consideration in H.R. 2866 contains one of three significant populations of the murrelet in California. The survival of the murrelet population in the Headwaters Forest area is essential for the genetic mixing that is vital for the long-term viability of any species. The murrelet does not build a nest, but rather lays its eggs on a lichen covered branch high above the ground. Smaller and younger trees do not have branches broad enough to hold the eggs safely, and their foliage does not adequately shelter the young from predators. Biologist C.J. Ralph states, "I have seen no bird as closely tied to a forest type. They are entirely dependent on old-growth." During the past century California's marbled murrelet population dropped from 60,000 to 2,000 birds due to liquidation logging.

During my term as President of EPIC, MAXXAM took over the Pacific Lumber Company (PL) and announced a systematic plan to liquidate all of their ancient redwood forests within twenty years. MAXXAM tripled the rate of cutting to pay off their enormous junk bond debt incurred in the takeover of PL.

Since the corporate takeover, MAXXAM has logged off more than half of the virgin forest that was part of PL's forest holdings. To protect the remaining ancient groves and the species dependent on them, EPIC was forced to sue Maxxam/PL, and state and federal agencies eight times, since 1987. EPIC cited the defendants' failure to consider the cumulative effects of logging on the ancient forest dependent wildlife species.

Under the California Forest Practices Act (FPA) the industry has the right to appeal an agency decision, but the public citizen has only one recourse, to bring suit on behalf of the public interest. Citizens are forced to file suit on a piecemeal basis, one logging plan at a time. This constraint reveals that California's logging plan review process is inadequate to assess the negatives effects of industrial logging on fish and wildlife.

For many years Pacific Lumber refused to conduct requested wildlife surveys to determine critical habitat needs. Department of Fish & Game (DFG) biologists requested this information in order to design mitigation measures required by law and by DFG's own code of regulation. The DFG mitigations were unique because they were based on the cumulative effects of logging ancient forests and the ecological processes of the ecosystem.

EPIC asked the agencies and the court to require a full environmental analysis of MAXXAM's planned logging of ancient forest areas. An analysis equivalent to an Environmental Impact Statement (EIS) would have necessitated the development of mitigation measures to protect wildlife before destructive logging practices impacted habitat.

EPIC's court injunctions and stays have successfully delayed the destruction of 1500 acres of the last few remaining unprotected groves of ancient forests. These legal avenues yield temporary success, yet as we have awaited final judgment in these cases with critical biological questions left unanswered, MAXXAM has clearcut virgin forest and thousands of acres of residual groves without adequate analysis and review of the impact of logging on wildlife, fisheries, water quality, soils and the long-term health of the forest.

MAXXAM has continually showed bad faith by failing to abide by state and federal regulations designed to protect species and habitat. MAXXAM has lobbied heavily against any meaningful reforms in the state legislature, Board of Forestry and in the courts.

Under MAXXAM's control Pacific Lumber has acted unscrupulously. MAXXAM has aggressively worked to fragment and isolate the ancient groves in an attempt to reduce their value as habitat for wildlife, so that further logging would not be prohibited by the agencies. When it became obvious that the EPIC lawsuits and agency scrutiny created a de facto injunction on the most significant groves, MAXXAM switched to a new

strategy to log the residual old growth all the way around the groves, and to attempt to build roads into the groves to destroy their primitive value.

The worst example of bad faith occurred during two illegal logging operations in 1992 at Owl Creek, the second largest grove of unprotected redwoods which serves as nesting habitat for the Marbled Murrelet. Pacific Lumber cut 20 acres of the grove before completing murrelet surveys and before consulting with the DFG as required by the California Endangered Species Act.

Lack of action from these enforcement agencies necessitated quick legal action and led us into two new lawsuits, one in state court and one in federal court. EPIC's federal suit, Marbled Murrelet v. Bruce Babbitt, is the first federal suit regarding violations of the ESA on private forestlands. This suit has the potential to have a major impact on future implementation and enforcement of the Federal ESA in regard to protecting species on private lands. Although EPIC's litigation has temporarily halted destruction of Owl Creek, it is only an interim strategy while permanent protection of the ancient forests is pursued through legislative channels.

Now the final liquidation of ancient forests of the Pacific Northwest are well underway. Native forests are being converted into highly mechanized and automated forest plantations, or "fiber farms", which require fewer workers and will not support a long-term sustainable economy. The increased logging of the ancient forest by PL since the takeover, has created a temporary increase in jobs which can not be maintained once the ancient forests are gone. Current estimates, based on past cutting rates, indicate that it would only take three years for PL to complete this final liquidation. We must end the cycle of boom and bust and begin a transition to a sustainable restoration based economy.

H.R. 2866 would require sustainable management of these lands. The rehabilitation of the logged lands is essential because they form linkages of the core ancient forests across the landscape. Agency biologists are increasingly concerned about the loss and impoverishment of biodiversity and the lack of "functional elements" in the managed landscape.

Under the jurisdiction of the USFS the management plan would be developed with full public review and input. Our local communities depend on healthy farmlands, fisheries and forests. Removing MAXXAM's control over this priceless national treasure is vital to a productive long-term economy in our region, as well as to the survival of the redwood ecosystem.

Mr. Chairman and members of the committee, please vote yes on H.R. 2866. With your vote of confidence, Congressman Hamburg can open negotiations with a meaningful vision and work toward solutions which will reflect

concern for the long-term health of the forest and timber dependent economies. It will result in the first steps to recovery of the region, which has been hit broadside by the junk-bond financed takeover of an outside corporate raider.

We stand at a critical threshold. The Headwaters Forest Act offers us a last chance to protect the life-supporting vitality and richness of the Headwaters Forest Wilderness, the rare species which inhabit it, the sustainability of the timber industry so that this long-term wonderful natural heritage may be enjoyed by our children, grandchildren, and many generations to come.

TESTIMONY ON H.R. 2866 - HEADWATERS FOREST ACT
FOR THE SUBCOMMITTEE ON SPECIALTY CROPS AND NATURAL RESOURCES
COMMITTEE ON AGRICULTURE
UNITED STATES HOUSE OF REPRESENTATIVES
OCTOBER 13, 1993

My name is William Stewart and I am presently a senior research associate with the Pacific Institute for Studies in Development, Environment, and Security of Oakland, California. I was requested by Representative Dan Hamburg to summarize some of the key trends regarding the relationship of forests to the local economy in the Headwaters region as well as suggesting how the specific impact of the Headwaters Forest Act could be calculated. As part of my doctoral dissertation at the Department of Forestry of the University of California at Berkeley, I recently completed a detailed analysis of the relationship between timber harvests, timber jobs and the local economy using county level data covering the past twenty years. The advantage of analyzing such a long period is that the confounding impact of business cycles is reduced. The econometric models I developed for this analysis proved to be considerably more accurate than approaches used by US Forest Service or industry analysts in two respects. First, they were better at tracking the historical patterns at the local level and second they captured the key trends that can explain the major changes we are witnessing in the timber industry and the economy of forested regions.

The Benefits and Costs of the Headwaters Forest Act

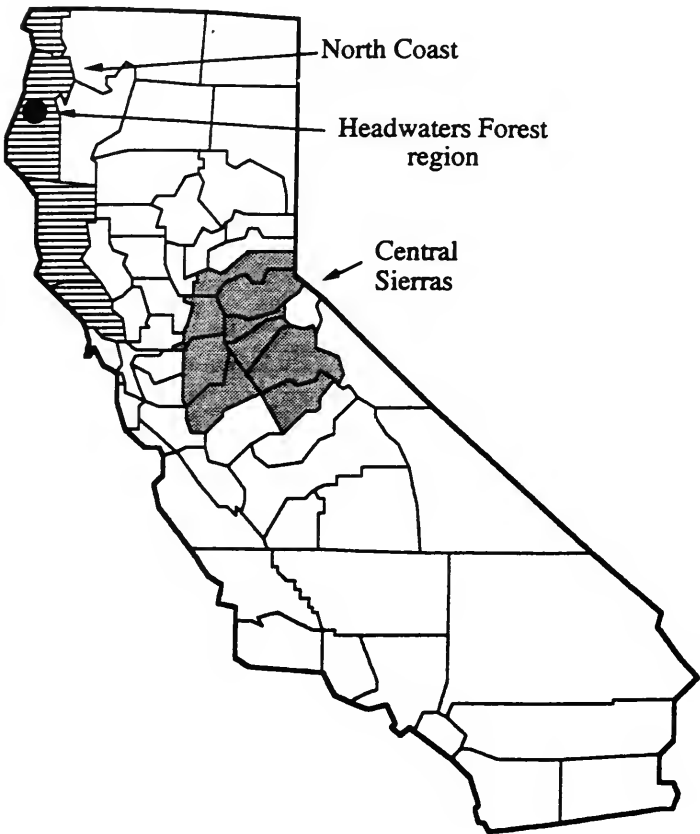
The proposed Headwaters Forest Act would create many benefits for this and future generations by protecting a number of unique old growth redwood forest ecosystems whose future is not presently ensured by private forest management. The Act also involves two very

different types of costs. The first are those born by society through federal expenditures to expand and then effectively manage public lands. Although the exact inventory levels are not yet known, the procedures for establishing and paying these costs are laid out in the Act. The second are those born by the local people and the local economy. This includes jobs lost in the timber industry as well as changes in the local economy that are specifically due to the Act. Realistic projections of these costs are necessary to assess the true cost of the legislation and what measures would be effective in ensuring local economic vitality.

The problem with most standard analyses of economic impacts is that they are based on the industry and local economies of the 1970s and not the 1990s. Two major changes must be addressed if realistic projections for the 1990s and beyond are to be developed. The first is the distribution of jobs within the timber workforce itself. The second is that the timber industry is no longer the major engine of local economic growth in the region. My analysis of the economic impact of timber harvesting in California suggests that, in some respects, a focus on commodity production may have a negative or only neutral impact on overall economic vitality.

Map of Headwaters Forest Region, North Coast and Central Sierras

California

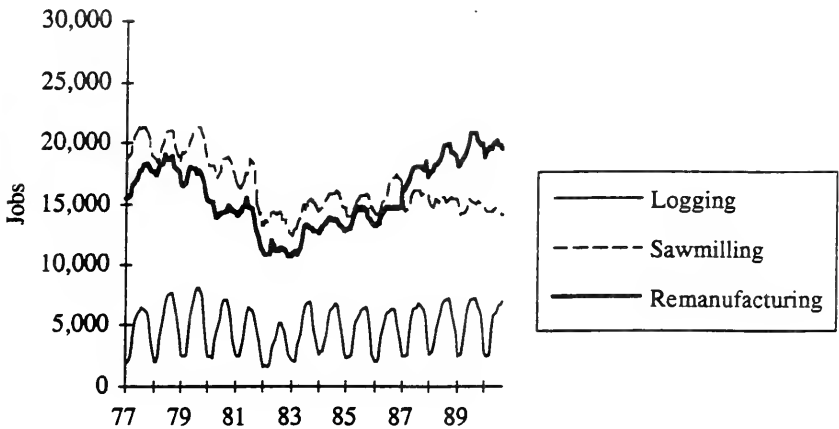


Changes in the Timber Industry Employment

The changes with California's timber industry are summarized in the figure below. In the 1970s, jobs in the sawmills constituted the largest fraction of all timber jobs in Northern California. In the mid 1980s jobs in the wood remanufacturing sector surpassed sawmills as the major employer. Wood remanufacturing includes diverse products such as specially cut and sanded lumber, doors, windows, finger-jointed molding, crates and boxes. I think the fundamental difference between the two types of employment is that capital investment in sawmills decreased the need for labor but actually increased the need for labor in the diverse remanufacturing sector by creating even more added value in the wood products.

Figure One

Timber Jobs in Northern California



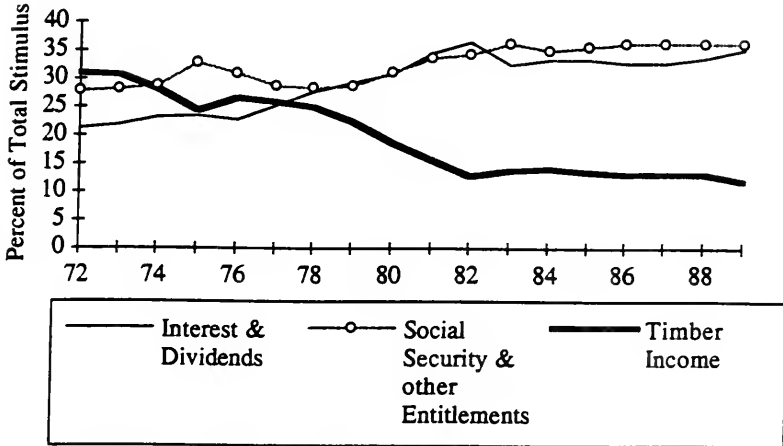
Source: California Economic Development Department. 1977-1990. The workers are categorized by SIC numbers (241,242, and 243-249). The counties covered are all those north of Los Angeles county.

Changes in local economies

The other major change is that the stimulus provided by the timber industry now takes second place to expenditures from an ever increasing number of in-migrants and retirees who bring new capital, skills and interests. Figure two illustrates the enormous changes that have occurred in this region over the past twenty years. The growth in non-wage income is considerably more important than the relatively small increase in tourism and recreation dollars that also occurred over the same period. A very plausible reason for the ability of the region to attract new sources of economic stimulus is the environmental amenities provided by the region.

Figure Two

Sources of Local Economic Stimulus in the North Coast of California



Source: Local Area Personal Income: California, U.S. Department of Commerce, Bureau of Economic Analysis. 1978, 1984, 1990, 1991. Economic stimulus is defined as income coming from sale of exported products (mainly manufacturing and agriculture), exported services (determined by location quotient) and income transfers. It excludes most local retail, service and government employment income.

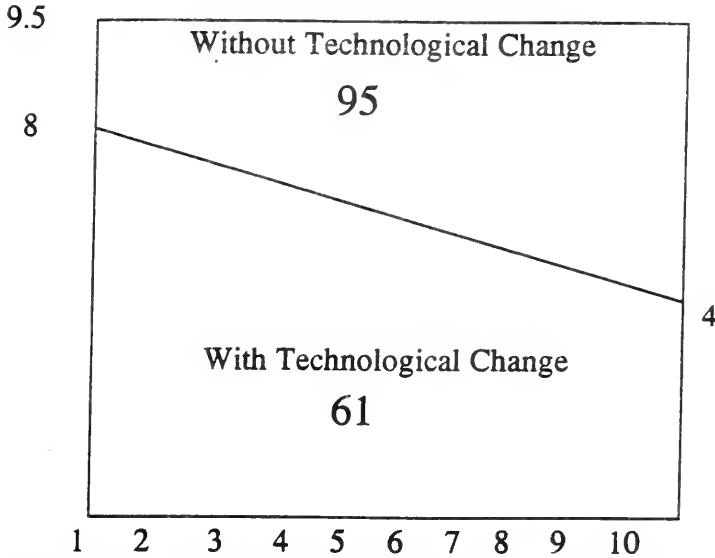
Specific Trends for Humboldt County

It is clear upon reviewing the harvest and employment statistics for Northern California that more people are required to process one million board feet of old growth than one million board feet of young growth logs. Based on data covering the period from 1978 to 1990, I estimated that processing pure old growth requires roughly 30% more labor than the current regional mix of old and young growth. Total employment involved in logging and processing one million board feet of old growth logs would include roughly one logging job, one half a tree plant job and six and a half sawmilling jobs. Beyond the first year, however, it is also necessary to account for increases in labor productivity resulting from the purchase of new mill machinery and the retiring of old machinery.

Even though the increase in labor productivity has been closely associated with the shift from a harvest dominated by old growth logs to one dominated by young growth logs, old growth processing also improves with new machinery. For example, labor requirements for an identical mix of old and young growth logs in the Central Sierras are roughly one half of that in the North Coast. In the Central Sierras, the percentage of the harvest from old growth logs had no impact on employment. This would not occur if the processing of old growth was impervious to introduction of new machinery. The diffusion of existing technology among different mills in the industry is going on now and will continue. Taking a conservative view that the diffusion of more productive technology from the industry leaders to the whole North Coast timber industry would take ten years, the number of jobs required to process one million board feet would drop from 8 to 4 workers over a decade. Based on this process of technological diffusion, 61 person years would be required to process an annual flow of one million board feet of lumber for a decade. This compares to an estimated 95 person-years that one gets by simply dividing current employment by lumber output. This back of the envelope calculation is 50% greater than the projection I would make based on an econometric analysis of the relationship of the recent historical record in California.

Figure Four

Person-Years to Process One Million Board Feet per year for a Decade



Sources: Initial and eventual labor requirements for technological change model - econometric analysis of county level harvest and employment data. Stewart (1993). Labor requirements of no technological change model - 1990 IMPLAN analysis for Northern Spotted Owl and industry estimates for old growth processing in California. The model for estimating the rate of technological innovation by comparing average productivity to the productivity of the best one quarter of the industry was first introduced by William Miernyk in 1965 in An Introduction to Input-Output Analysis.

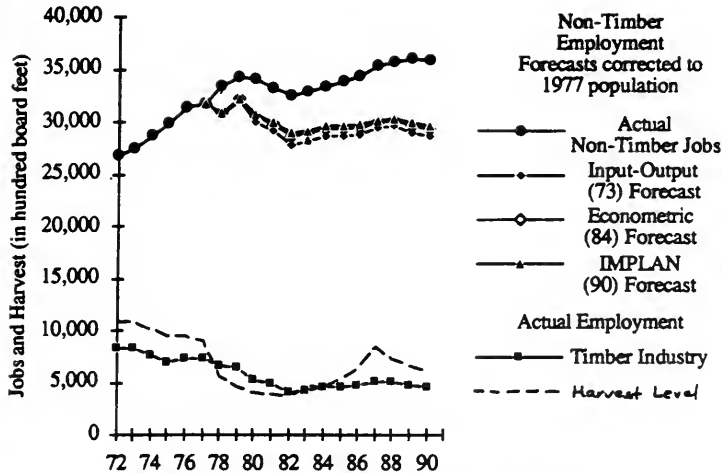
Indirect jobs

Nearly all employment analysis estimate that more indirect jobs will be lost than direct timber jobs if timber harvests drop in the western United States. The expansion of Redwood National Park in the late 1970s provides an excellent opportunity to compare the projection with the actual pattern in the same general region that we are discussing today. When we go

back and compare the accepted projections of catastrophic losses to what actually occurred, it is surprising that although direct timber job loss did occur, the total number of jobs in the county did not drop, unemployment rates did not rise relative to the state as a whole, and overall the local economy continued to grow. These results are true even after the number of jobs is reduced to account for overall population growth. Figure three below compares the projected jobs losses for Humboldt county based on the employment multipliers greater than 2.5 that calculated for the economy of the 1970s with the actual trend after correcting it for population growth. As the figure illustrates, the loss of timber jobs that began in 1977 (due to both a slowdown in construction and the park expansion) did not have the expected effect of dragging the rest of the economy down. Equally significant, when harvests doubled from 1982 to 1987, the number of timber jobs increased by less than 20%. Clearly, timber employment is no longer the primary driver of the local economy.

Figure Three

Humboldt County



Sources: Employment: Annual Planning Report: Humboldt County 1992. Harvest: (the dashed line) California Board of Equalization. Employment Multipliers: Dean et. al. 1973. Structure and Projections of the Humboldt County Economy: Economic Growth versus Environmental Quality. University of California Giannini Foundation Report 318.; McKillop. 1984. Income and Employment Multipliers for the Forest Products Industry of Northern California. University of California, Berkeley Department of Forestry and Resource Management and Forest Products Laboratory; Olson 1990. Economic Impacts of the ISC Northern Spotted Owl Conservation Strategy for Washington, Oregon and Northern California. Mason, Bruce and Girard - Portland Oregon

Employment multipliers of 2.5 or greater continue to be used even though they prove to be extremely inaccurate when applied to events that have occurred. A crucial flaw in many of the regional economic models is that they do not account for growing non-wage incomes that are especially characteristic of the forested regions of California. The following table summarizes the results of an economic base analysis of the major timber producing counties of California.

Income Multipliers for Major Timber Producing Counties in California 1972-1989

Sector	Income Multiplier	Standard Error	T	p
Lumber	1.445	0.132	10.909	.000
Transfers	1.422	0.056	25.221	.000
Government	1.605	0.318	5.048	.000
Other Manufacturing	1.481	0.328	4.519	.000
Degrees of Freedom = 125; F= 86; Adjusted R^2 = 0.875				

Source: Predicting Employment Impacts of Changing Forest Management in California, 1993. William Stewart, PhD, University of California at Berkeley. The results were developed from an economic base model using local income from the Local Area Personal Income publications of the Department of Commerce.

The moral is that a dollar is a dollar in terms of the multiplier effect in these forested counties. When the relatively higher wage of timber jobs is taken into account, the loss or gain of one timber job is associated with the loss or gain of 1.85 local jobs. The combination of underestimating the impact of technological change and overestimating the employment multiplier leads to a total job loss estimate that may be more than that twice that which an examination of the economic record leads me to anticipate. This overestimation does not take into account the distinct possibility that the old growth jobs could suddenly come to a halt if the inventories ran out within the next decade or two.

Employment in the new forest economies

The economies of Humboldt and other forest counties in California have undergone enormous changes. Large changes in timber investment reduce the leverage of increased commodity production for producing jobs. Job growth in California's timber industry is occurring in the remanufacturing sector rather than the sawmilling sector. Interestingly, it is the Central Sierra region which illustrates the potential for job creation based on developing

new products and marketing them far and wide. Over the 1990s, more than 2,500 jobs in wood remanufacturing were created in this region as many smaller companies increased their product lines and output. Unfortunately, similar levels of new investment, market linkages and new jobs did not occur in the North Coast region.

The possibility of job growth with declining old growth harvests is illustrated by the near total transformation of one firm in the North Coast region. In the late 1970s, the firm employed 110 workers producing wide, tongue and groove planks from old growth redwood. Even though their supply of old growth redwood dried up in the 1980s, the owner did not have to lay off one person. By investing in new equipment and developing new products, she completed the transition to products made from young growth logs with no loss of jobs.

The fact that the growth of income brought by in-migrants and its impact on the economy more than overshadowed the reduction of timber jobs also has other important implications. It is probable that many of these new residents were brought to the region by its environmental amenities and possess economic talents that can be tapped to create new employment growth in the region. Focussing on new employment opportunities not dependent on increased commodity production may have considerably more promise.

Key conclusions

Although old growth logs require more labor to process, new investments in sawmills are increasing labor productivity and reducing the employment needed to process a steady supply of raw material. Investment in the remanufacturing sector of the timber industry is responsible for essentially all the timber job growth in the state. The relative slowness of the timber industry in the area surrounding the proposed Headwaters Forest area to invest in these new product lines explains more of the job loss than harvest levels over the 1978 to 1990 period. Local economies are increasingly driven by income not related to the timber industry and job growth appears to be positively associated with the environmental amenities of the region. In this respect the apparent tradeoff between wilderness and employment may not always be true.

Testimony
by
Gary C. Rynearson
President
Natural Resources Management Corporation
before the
Subcommittee on Specialty Crops and Natural Resources
Committee on Agriculture
U.S. House of Representatives

October 13, 1993

Chairman Rose, and distinguished committee members, thank you for the opportunity to appear before this committee. My name is Gary Rynearson, and I am President of Natural Resources Management Corporation, a forest resources consulting firm located in Eureka, California. Our firm has extensive experience in the north coast of California in the management, inventory and valuation of forestland properties. As an everyday part of our business, our firm prepares timber inventories and appraisals and markets timber for our clients whose lands we manage. Our staff includes Registered Professional Foresters and experienced timber cruisers, such as myself, and appraisers accredited by the Office of Real Estate Appraisers, State of California.

Our firm also has extensive experience analyzing the biological and physical components of the forest, including the fields of forestry, wildlife biology,

botany, fisheries biology, geology, and geographic information specialties. Our staff includes trained wildlife biologists and biological technicians and several foresters certified by the California Department of Fish and Game with regard to the marbled murrelet and experienced with regard to other listed, candidate or sensitive species.

Our list of past clients includes the California State Parks, Save-The-Redwoods-League, USFS, Bureau of Land Management, Internal Revenue Service, Indian tribes and corporations, and numerous industrial forestland owners, including The Pacific Lumber Company and almost every other major company in this area. We also manage approximately 25,000 acres of timberlands owned by small, non-industrial landowners.

Perhaps our most notable appraisal experience regarding the determination of timber values are those related to the creation, and the subsequent 1978 Expansion, of Redwood National Park. Our firm inventoried and appraised land and timber taken from industrial forest landowners in both condemnations. We also presented these values in federal court. To a large degree, our values were accepted at both trials.

I appear before you today at the request of Congressman Hansen to provide some general information regarding the value of redwood timberlands in coastal

northwestern California. On August 9, I received a letter from Congressman Hansen requesting approximate values for old-growth and second-growth timber stands typical of those that may be found in Humboldt County, California. A copy of this letter and my response is attached to my statement. To summarize my response to Congressman Hansen's request, we have estimated that an average acre of previously unentered old-growth redwood and Douglas-fir in Humboldt County had a value in the summer of 1993 of approximately \$190,000 per acre. During this same time period, the average acre of 70 year old second-growth redwood and Douglas-fir had a value of approximately \$53,000 per acre.

These numbers are average, and cannot be applied to any specific property. Timber values are dependent upon the relative location, stand age, timber and site quality, and the cost associated with the harvesting of the timber. Although I have not specially studied the entire 44,000 acres proposed in this legislation, I am generally familiar with the types of stands on Pacific Lumber's lands. The quality of those stands, and particularly the old-growth redwood and Douglas-fir found there, is generally better than that of the average stand.

Historically, redwood and Douglas-fir timber prices have exceeded the rate of inflation. In the last few years both redwood and Douglas-fir timber prices have greatly increased in value, apparently in response to both

real and proposed reductions in timber supply. I have a series of charts which show what we are aware of in California.

First, I attach a chart which shows the decrease in the volume of logs sold from the Six Rivers National Forest, formerly a prime supplier of logs for our local mills. We have lost over 125 million board feet of annual supply in five years. Moreover, the recent draft plan from the Six Rivers shows no significant relief in sight. Supplies will remain tight, and prices are very likely to remain high.

Second, I attach two charts which relate to the values of the two main species of old-growth timber found on Pacific Lumber's lands. The data represent values derived by the State of California for tax purposes. For various, complex reasons, these state taxation values cannot be used directly to show true market values. However, the trends of the State's data can be used to show relative price movement.

Please note the consistently upward price trends for at least the last five years. While the published yield tax data only go back to 1978, longer term trend lines would also show an upward trend, especially for redwood. Historically, redwood and Douglas-fir timber has appreciated significantly over time. This price appreciation was recognized by the courts in both park cases. Neither court supported any discount in value for size or holding period.

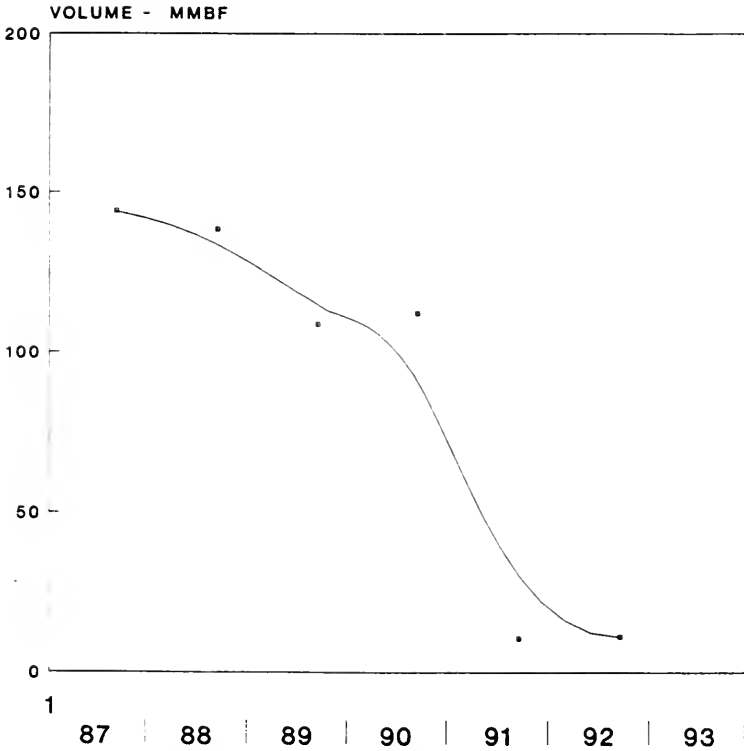
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Again, thank you for the privilege to provide this information to the Congress of the United States. I would be happy to answer any questions the Committee members may have.

(Attachments follow:)

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**SIX RIVERS NATIONAL FOREST
TIMBER VOLUME SOLD BY YEAR
FISCAL YEAR BASIS**

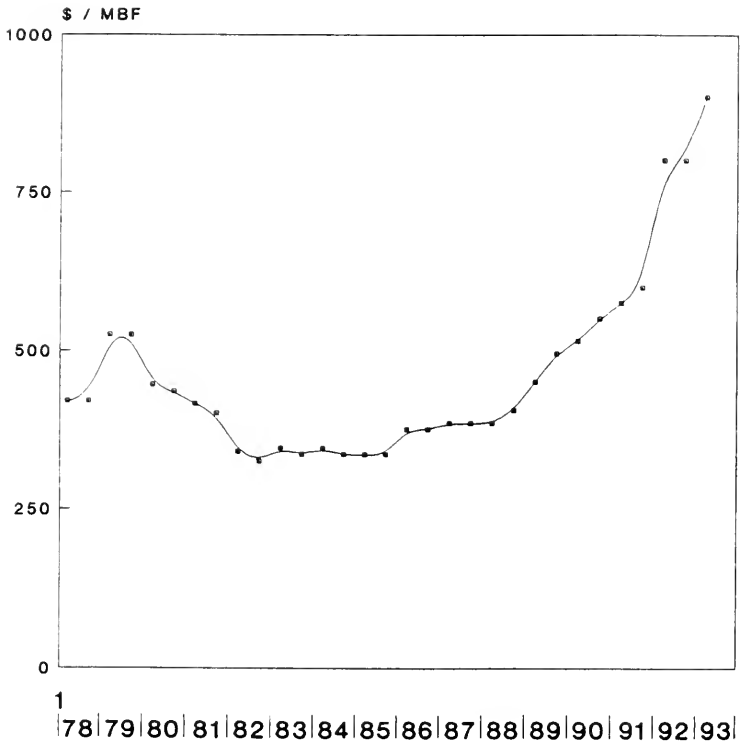


—●— YEARLY TOTALS

SOURCE - FOREST SERVICE RECORDS

- 7 -

OLD-GROWTH REDWOOD
IMMEDIATE HARVEST VALUES
STATE BOARD OF EQUALIZATION

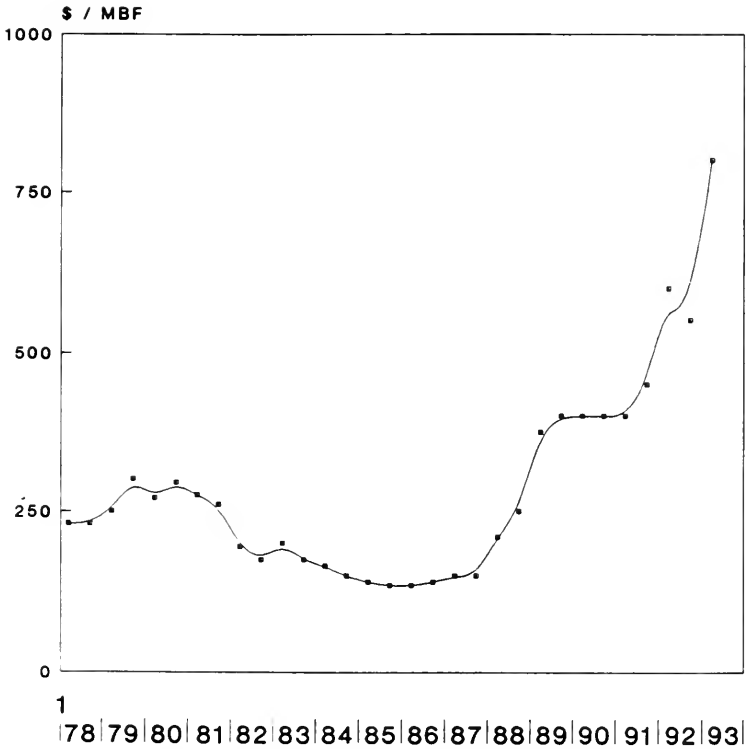


—●— SBE YIELD TAX VALUES

VALUES ARE FOR TIMBER OF AVERAGE QUALITY

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OLD-GROWTH DOUGLAS-FIR
IMMEDIATE HARVEST VALUES
STATE BOARD OF EQUALIZATION



—•— SBE YIELD TAX VALUES

VALUES ARE FOR TIMBER OF AVERAGE QUALITY

Testimony
by
John A. Campbell
President and Chief Executive Officer,
The Pacific Lumber Company
before the
Subcommittee on Specialty Crops and Natural Resources
Committee on Agriculture
U.S. House of Representatives
October 13, 1993

Mr. Chairman and Members of the Subcommittee. I am John A. Campbell, President and Chief Executive Officer of The Pacific Lumber Company, which is located in Scotia, California. I appreciate the opportunity to testify before you today on H.R. 2866.

This proposal, like the proposed legislation this Subcommittee and the Committee on Agriculture has considered in prior years, is publicly-discussed as simply authorizing the United States Government to acquire from Pacific Lumber what has been characterized as the largest old growth redwood forest still in private ownership. This old growth forest, which consists of approximately 3,000 acres, is located in Humboldt County, California, and is commonly referred to as the "Headwaters Forest" (rather than as Salmon Creek, its proper name).

In fact, however, H.R. 2866 is poorly conceived and not nearly so benign. As written, it would require the Secretary of Agriculture to acquire approximately 44,000

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acres (and additional acreage exceeding 13,000 acres as a "study area") and add it to the Six Rivers National Forest. Substantially all of this acreage is owned by Pacific Lumber. If passed in its present form, H.R. 2866 would thus take away or otherwise adversely impact almost 30 percent of Pacific Lumber's nearly 195,000 acres of timberland (including some of its most valuable acreage). This would have a devastating effect on our company, its employees and on Humboldt County as a whole.

Humboldt County, where I have lived and worked for more than 24 years, still suffers from an unemployment rate that is in the double digits and still is in a period of deepening recession following numerous recent mill closings in our area. Indeed, the area's economic plight has been aptly described in the current (October 1993) issue of Smithsonian magazine in an article entitled "A new park saved the tall trees, but at a high cost to the community".

Nevertheless, my company, which is the largest private employer in Humboldt County, has steadily increased its work force and its tax payments for local schools, roads and social welfare programs. This was true before we were acquired by Maxxam Inc. in 1986 and it remains true today. Over half of our approximately 1,250 employees have been with us for more than 10 years and a fourth of those have been with us for two decades or

more. Our retirees enjoy one of the best pension programs in the timber industry, our employees have an exceptional health plan, and all of our workers' children are entitled to up to \$8,000 in scholarships for college upon graduation from high school. Since 1986, approximately \$1 million of scholarships have been awarded under this rather unique program.

Our company is the largest producer of high grade redwood lumber in the world, and our approximately 195,000 acres of timberland (including the 3,000-acre Headwaters Forest) are zoned by the State of California exclusively for timber production. Throughout our 124 year history, from 1869 to today, we have been and continue to be a responsible company. We manage our forests to ensure continuous renewal and healthy growth. Notwithstanding the inaccurate statements of some, which are often repeated by the media, the truth is that at current harvest levels and with our current land base, we can continue to harvest our trees at a sustainable level forever and at a more conservative rate than that of the timber industry as a whole.

For these and the other reasons I shall describe in the balance of my statement, we are strongly opposed to H.R. 2866. Let me first state, however, that we -- both Pacific Lumber and our corporate parent Maxxam Inc. -- recognize that our company, the United States Government,

and the State of California collectively face a dilemma with respect to the 3,000 acres comprising the Headwaters Forest. In the simplest terms, our dilemma is whether to preserve this wilderness area through public acquisition of the 3,000-acre Headwaters Forest area and a 1,500 acre buffer zone, or allow the land to be managed for its intended and authorized use and the trees selectively harvested in an environmentally responsible manner. The Nature Conservancy, Sierra Club, Wilderness Society, and other environmental organizations have in the past advocated public acquisition of the Headwaters Forest area but, to date, have expressed widely divergent views on how that should come about.

As we have previously testified, The Pacific Lumber Company would prefer to continue directly to manage and selectively harvest all of its properties, including the 3,000-acre Headwaters Forest, so as to provide continuing employment security for our workers and their families. We are, however, prepared to transfer these approximately 4,500 acres, but no more, if the government (federal, state or a combination of the two) is willing and ready to acquire the property at its fair market value. That 4,500 acres is an ecologically sound unit and the government's legitimate preservation objectives do not warrant a larger land acquisition such as that contemplated by H.R. 2866. A larger taking, such as that contemplated by H.R. 2866,

cannot be justified. While the 44,000 acre proposal encompasses most old growth redwood trees owned by Pacific Lumber (and the other impacted landowners), it also sweeps in substantial tracts of timberland that have been successfully managed on a prudent basis and selectively harvested for years.

If, however, the government decides not to acquire the 3,000 acre Headwaters Forest, then Pacific Lumber and Maxxam have a legal responsibility to their stockholders and other investors to proceed to obtain all requisite permits required for the trees to be selectively harvested and the property to be managed for its intended use.

Let me hasten to say in the strongest possible terms that we -- both Pacific Lumber and Maxxam -- are serious about our willingness to acquiesce in an acquisition of the Headwaters Forest and to work constructively toward that end. This has been our position for some time. As part of an accord reached in 1990, at the urging of key local legislators, Pacific Lumber agreed not to harvest in the 3,000-acre Headwaters Forest for two years. The purpose of that voluntary moratorium, which has now expired, was to allow environmental organizations time to raise money from government and/or private sources to acquire and preserve the property in its present form. This has not occurred, despite the efforts of many. For example, voters of the State of California rejected three

complex ballot initiatives which, in part, would have provided funds for partial or whole acquisition of the Headwaters Forest in 1990. Many observers believe this rejection was unrelated to the Headwaters Forest issue and another ballot measure with partial funding for the Headwaters acquisition is being planned for 1994 or 1995 by California state officials. Moreover, the concept of a public acquisition of the Headwaters Forest has bipartisan support in the California legislature and, unlike the so-called California Desert bill, has been publicly supported both by (Republican) Governor Pete Wilson and by (Democrat) Assembly Speaker Willie Brown.

Let me also emphasize, Mr. Chairman, that, although the voluntary moratorium has expired, we remain sincere in our professed willingness to permit an acquisition of these 4,500 acres. We are also realistic. We acknowledge the existence of a budget deficit that is so large as to make an acquisition completely for cash quite unlikely. We likewise recognize, as does the Department of Agriculture, that these 4,500 acres have such a high value that an acquisition solely through traditional land exchanges will not likely be possible. Indeed, these values alone make the 44,000 acre acquisition contemplated by H.R. 2866 wholly unrealistic.

Notwithstanding these practical constraints to an acquisition, we are prepared to continue to work

constructively toward a solution to the Headwaters dilemma that would be satisfactory to all parties. For our part, we stand ready to be creative and flexible in terms of the types of consideration we would receive in addition to a reasonable amount of cash. For example, this could include other timberland (to protect jobs), surplus Department of Defense facilities, other property, bidding certificates for future use when the government disposes of surplus property, government bonds or some combination of the foregoing. We likewise are prepared to agree to some objective mechanism to determine values. I would hope that this Subcommittee and other relevant parties would be equally flexible and creative, and equally concerned about the Constitutional requirement of justly compensating Pacific Lumber for this taking.

We are not, however, prepared to stand idly by and have our company virtually destroyed, our employees irreparably harmed and Humboldt County dealt yet another economic body blow through the enactment of H.R. 2866 in its present form. The very fabric of rural, northwestern California -- of which our company is an integral part -- is at stake.

Let me describe the extent to which government already owns forest land in northern California. If you were to look at a map, over 60 percent of the northern part of our state is forest land. Of these forest lands,

the state and federal governments already own 54 percent. Small private owners own 34 percent. Only an astonishingly low 12 percent of the forest land is owned by industrial timber companies like Pacific Lumber. Indeed, as I explain later in my testimony, over 80 percent of California's old growth coastal redwoods is already preserved in parklands.

Thus, H.R. 2866, in its present form, is both unnecessary and, given the value of the 44,000 acres, unrealistic. Moreover, it could destroy The Pacific Lumber Company and do irreparable harm to the communities, businesses, families and economy of Humboldt County and northern California.

Another irony of H.R. 2866 is that it would actually harm our ability to harvest trees on a sustained-yield basis. Let me explain. While timber companies like Pacific Lumber are thought of as being in the business of cutting down trees, most of our emphasis has to be on growing trees so as to ensure our continued viability. For example, to complement the robust natural regeneration of the forests, Pacific Lumber typically plants about 500,000 seedlings on its land each year. We engage in timber management activities (i.e., selective harvesting, habitat enhancement, replanting, etc.) only on about 5 percent of our acreage in any given year. Moreover, 95 percent of our harvesting is by selective cut, a method

that leaves many trees standing, not clear-cut as many of our detractors erroneously claim. The Pacific Lumber Company does not -- let me repeat, does not -- clear-cut virgin old growth redwoods.

In connection with old growth forests, it should be noted that most old trees have stopped growing and are in fact in decline. The young trees provide the rate of growth needed to sustain our harvest year after year. Thus, artificially curtailing the conversion of old growth to young on a large scale, or removal of large segments of our land base, actually prevents us from doing what, in the public interest, we should do; namely, engage in the production of wood products on a continual or sustained basis as required by the California Timber Productivity and Forest Practice Acts.

H.R. 2866 also fails to give due effect to the responsible record of Pacific Lumber. Since its 1986 acquisition by Maxxam, Pacific Lumber has added over 350 new employees with an annual payroll increase of \$10 million and increased local tax payments. We have modernized our lumber mills at Scotia and Fortuna, purchased a mill (which would otherwise have been idle) at nearby Carlotta and installed new dry kilns and planing facilities. We have added over 1,000 acres of timberland, some of which will not be harvested for at least 40 years and we have built an award-winning environmental

cogeneration plant at a cost of \$50 million. Altogether, more than \$100 million has been reinvested in Pacific Lumber since its acquisition by Maxxam.

Pacific Lumber and its professional foresters maintain healthy productive forests with the aid of computer models based on data developed in a comprehensive inventory of our entire property. The models embrace every aspect of the resource -- timber types, classes of trees, ages, soil and nutrient conditions, topography, wildlife, rivers and streams. By carefully monitoring and updating this data base, the company's licensed professional foresters are able to develop harvest plans that not only produce timber but also give consideration and protection to environmental and ecological sensitivities while maintaining the long-term productivity of the land.

Wildlife and fishery protection and enhancement is a key part of Pacific Lumber's culture and operational practice. Since the inception of one such program in the early 1970's, over half a million salmon and steelhead raised at Pacific Lumber-owned fish rearing ponds have been released into North Coast rivers and streams. We recently built a fish hatchery and hired a full-time fishery biologist. Pacific Lumber also employs a wildlife biologist to study and provide advice on steps to protect and continue to enhance the habitat upon which a variety

of forest creatures depend. At present, wildlife specialists are actively studying a number of species on Pacific Lumber land, including the Northern Spotted Owl and the Marbled Murrelet. In fact, Pacific Lumber has a property-wide management plan for the Northern Spotted Owl, which was developed in cooperation with the U.S. Fish and Wildlife Service. Part of the work with the Northern Spotted Owl entails the introduction of artificial nesting structures which, to date, have been used successfully to raise owl fledglings. Also, extensive Pacific Lumber studies indicate that -- contrary to popular belief in California -- the Northern Spotted Owl shows no preference for old-growth forests over second and third growth for its roosting, nesting and foraging, as the U.S. Fish and Wildlife Service recently acknowledged. You may have seen the recent NBC special report which also confirmed what I have just said.

Our commitment to responsible corporate practices is continuing, but it is not new. In past years, Pacific Lumber donated or sold at below value nearly 20,000 acres of California's most magnificent redwoods for preservation and inclusion in state and county park systems. Today, over 80 percent of California's old-growth coastal redwoods are preserved in some 255,000 acres of parkland. These parks contain almost 100,000 acres of old growth redwood. No other commercial species in the world

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has had so great a proportion of its trees set aside forever in government parks and other preserves. It is also important to note that the parks and preserves provide wonderful habitat for species of concern.

Mr. Chairman and members of the Subcommittee, the measure before you, in its present form, represents unsound economics, unsound forestry and unsound environmentalism. Jobs are rapidly disappearing in this country. In our industry and our area, small and large mills are laying off workers or have closed -- some temporarily and some permanently. In contrast, the working forests of Pacific Lumber continue to provide lumber for families and the construction industry, continue to protect and enhance the environment, and continue to provide jobs and a local, state and federal revenue stream. Our lands are some of the most productive forest-growing lands in the world. In our 124-year multi-owner history, we have proven that we can grow redwood in perpetuity. It makes no sense whatsoever to seek to destroy all this and jeopardize the future of The Pacific Lumber Company, its employees and the communities in which they live and work.

We again urge you to reject the 44,000 acre approach taken in H.R. 2866. That approach can lead only to continued gridlock. It would be much more constructive to join in a mutual and creative effort to achieve the more realistic goal of a 4,500 acre acquisition.

Thank you again for the opportunity to testify.

Testimony
by
Stan Dixon
Humboldt County Board of Supervisors
Representing the First District
before the
Subcommittee on Specialty Crops and Natural Resources
Committee on Agriculture
U.S. House of Representatives

October 13, 1993

Mr. Chairman, Distinguished Committee members, my name is Stan Dixon. I am a member of the Humboldt County Board of Supervisors representing the First District.

I am here today to urge you to not support H.R. 2866 regarding the acquisition of forest lands in Humboldt County. My reasons are many, but I will try to be brief.

This proposal, as currently written to include nearly 44,000 acres of timberland, would have a profound effect on the communities and the people of Humboldt County, as well as severely limiting the ability of County Government to provide necessary services.

As I relate these remarks, you must understand that I begin from several basic assumptions. I was privileged to attend the President's Forest Conference in Portland, Oregon last April and as did many others, I left with the assumption that this President, this Administration and this Congress clearly understood the need for balance as

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it relates to the environment and the economy and that the human element individuals and communities really counted for something in this intricate equation.

Because my principal reason for addressing you here today is to inform you of the economic impact to our County, please believe that my concern, and that of an overwhelming majority of my constituents, is for the wise use of our forests and other natural resources and that we have an abiding concern for preserving these for our children and for generations far beyond them.

But we know, as you must as you consider this legislation, that the forests of California's North Coast represent if not the most productive, certainly one of the most productive, timber growing regions in this nation. Furthermore, they are regulated by the most environmentally sensitive harvest laws in the world.

You must also know, as you consider H.R. 2866, that 12,000,000 acres or 12% of California's total land base are preserved in parks, wilderness areas, and other land reserves; and that of this set aside, 255,000 acres are Coastal Redwood timberlands, 80,000 of those acres are in old growth redwood trees.

I have attached to this statement a summary of projected revenue losses to Humboldt County under the scenarios of a 4,500 acre loss and that of a 44,000 acre loss. The projected loss of timber tax revenues to all

agencies in Humboldt County for a 4,500 acre taking would be nearly \$18 million over the next fifteen years. However, that figure pales in comparison to the more than \$40 million in lost tax revenue for a 44,000 acre taking.

This proposal comes at a time when governments at all levels face enormous budget deficits. In Humboldt County because of the loss of tax revenue, we have asked our employees to defer merit increases and take deductions in salary, yet continue to do the same job. Worse than that, and because of a very sluggish economy, reduced tax revenues and federal and state mandates, we will more than likely be making significant reductions in our County work force within weeks.

This proposal in its present form will create more unemployment in our County that currently has nearly 10% unemployment. Clearly, in counties that rely as heavily on natural resources as does Humboldt County, every aspect of our existence relates directly to the success of the management of those resources. Consequently, we have been impacted first and hardest by resource allocation decisions.

In Humboldt County, the timber industry pays 30% of all property taxes in the County. Funding for roads and schools is heavily dependent on this tax base.

Massive tax revenue losses have had, and will continue to have, a devastating effect on Humboldt

County. But the direct loss of jobs associated with the reduction of timber production also places extreme burdens on county-provided services. The loss of employment not only reduces County Income from sales taxes and other sources, but high unemployment rates also over-burden county hospitals, social welfare programs, and other county, state and federally funded services.

In addition, high unemployment levels also have a direct correlation to increases in crime, spousal abuse, child abuse, alcoholism, abandonment, and other societal problems which, to a large extent, also depend upon county services for relief.

Please do not be mislead by provisions in this legislation that would call for retraining of displaced timber workers as a tradeoff for taking 44,000 acres of productive and revenue producing timberland.

While retraining is an important part of any recovery program, the type of jobs created are not equal to those lost. Government created public service jobs are not a replacement for well paying industry jobs that allow the worker to support his family and educate his children. In today's complex economic world, short term public service and minimum wage jobs do not support communities. I think the statement of an old friend and retired colleague best states this premise, "We can't create an economy by selling hamburgers to each other."

Mr. Chairman, each of you represents a Congressional District whose economic backbone is more than likely some form of industry. On the North Coast of California, the timber industry is our economic backbone. If you must take timberlands from our economic base, please focus on the 4,500 acre Headwaters Forest proposal for which you have a seller that is willing to negotiate. Please do not consider the 44,000 acre proposal outlined in H.R. 2866 which would devastate a company, an industry and a county.

Thank you for allowing me these remarks.



Senate California Legislature

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RUBEN S. AYALA

SENATOR
THIRTY-FOURTH DISTRICT

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SOLID AND HAZARDOUS WASTE

October 8, 1993

Congressman Charles Rose
2230 Rayburn House Office Building
S. Capitol Street & Independence Avenue, S.E.
Washington, D.C. 20515

Dear Congressman Rose:

As a California State Senator since 1974, former Chairman of the Senate Agriculture and Water Resources Committee, presently serving on Senate Rules, Vice-chairman of Agriculture and Water, Vice-chairman of local government, member of Business and Professions, Transportation and Veterans Affairs, I urge your NO vote on HR 2866 (Hamburg/Stark).

The privately-owned commercial lands proposed for acquisition in this ill-conceived legislation are presently being managed to maintain a stable economy while protecting the forest habitat. This is accomplished at no cost to state or federal taxpayers.

There is over 255,000 acres of redwood forests preserved in national, state and county parks in the redwood region. The percentage of redwoods presently preserved in parks and reserves exceeds that of any other commercially harvested species.

The Save the Redwoods League, who just celebrated their 75th anniversary, and who have done an outstanding job of preserving the finest stands of redwoods which make up Humboldt County Redwoods State Park and the Redwood National Park, have

Congressman Charles Rose
October 8, 1993
Page two

declared the Hamburg/Stark proposal as "fatally flawed." I
endorse their conclusions.

Resolutions in opposition to HR 2866 have been passed by
the majority of the cities (Eureka, Fortuna, Rio Dell, etc.) and
the Humboldt County Board of Supervisors in the Congressional
district of Representative Hamburg.

I again urge a NO vote on HR 2866.

Sincerely,


ROMAN S. AYALA
State Senator
34th District

RSA:se



Capital Office
1875 Connecticut Ave., N.W.
Washington, DC 20009
(202) 387-3500
Fax: 202-234-6049

October 26, 1993

The Honorable Dan Hamburg
United States House of Representatives
114 Cannon House Office Building
Washington, D.C. 20515

Dear Representative Hamburg:

The Environmental Defense Fund, on behalf of its more than 200,000 members, is pleased to support H.R. 2866, the Headwaters Forest Act. The bill represents a responsible effort to secure protection for nationally important natural resources, including endangered species, salmon, and other old growth forest resources. Without the public acquisition of the lands that are the subject of this bill, it is likely that these declining and ecologically important resources will be lost.

Sincerely,

A handwritten signature in dark ink, appearing to read "Michael J. Bean". The signature is fluid and cursive, with the first name "Michael" and last name "Bean" clearly distinguishable.

Michael J. Bean
Chairman, Wildlife Program

National Headquarters

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THE WILDERNESS SOCIETY

CALIFORNIA/NEVADA REGIONAL OFFICE

**STATEMENT OF LOUIS BLUMBERG, ASSISTANT REGIONAL DIRECTOR,
CALIFORNIA/NEVADA OFFICE, THE WILDERNESS SOCIETY, ON HR 2866, THE
HEADWATERS FOREST ACT SUBMITTED TO THE SUBCOMMITTEE ON
SPECIALTY CROPS AND NATURAL RESOURCES OF THE U.S. HOUSE OF
REPRESENTATIVES COMMITTEE ON AGRICULTURE**

OCTOBER 22, 1993

Mr. Chairman and members of the Committee, The Wilderness Society (TWS) submits these comments for inclusion in the record of your hearing of October 13, 1993 on HR 2866, the Headwaters Forest Act. The Wilderness Society supports HR 2866, the Headwaters Forest Act. As this Committee is well aware, The Wilderness Society has a long-standing interest in our nation's forests and supported similar legislation in the last Congress. Passage of HR 2866 is important for the protection and persistence of the redwood forest ecosystem in northwestern California. Enactment of HR 2866 will authorize Federal acquisition of important redwood forest lands and create the Headwaters Forest Wilderness. Public ownership and federal management of the proposed 44,000 acres acquisition is in the best, long term interests of the American public.

HR 2866 would add The Headwaters Forest and other redwood forest to the Six Rivers National Forest. The bill would also create a 44,000 acre ancient redwood ecological reserve along watershed boundaries that will help preserve this unique ecosystem for future generations.

These redwood forests have unmatched ecological, aesthetic, and recreational values, and are a unique part of our national heritage. Federal acquisition of these lands will insure that this important biological legacy will be passed on, in tact, to future generations of Americans.

The Headwaters Forest is 4,000 to 5,000 acres of virgin, redwood (Sequoia sempervirens) forest and is the largest, unprotected, block of virgin redwoods in the northern hemisphere. This is truly a pristine, unique, forest ecosystem worthy of protection as part of the National Wilderness Preservation System.

The Headwaters Forest and the other connected tracts of virgin and second growth redwoods comprising approximately 44,000 acres are proposed for addition to the Six Rivers National forest. These lands are a critical reservoir of genetic material for a rapidly diminishing redwood forest ecosystem. The Wilderness Society urges that all ecologically significant virgin redwood groves be preserved in perpetuity to insure the existence of this unique ecosystem. In particular, the entire headwaters of Salmon Creek should be included in the Headwaters Forest Wilderness.

The lands proposed for acquisition in HR 2866 are found in what scientists call the Klamath Province, a distinct bioregion which encompasses northwestern California and southwestern Oregon. They include pristine, ancient redwood forest and provide important habitat for a myriad of wildlife species including the northern spotted owl and the marbled murrelet. Last year, the U.S. Fish and Wildlife Service listed the marble murrelet as a threatened species under the Endangered Species Act. Passage of HR 2866 will help protect not only these two species, but many others who also depend on ancient forest for their habitat.

The Klamath Province is recognized by scientists and others to possess unparalleled biological diversity. The region has been described as a "floristic and vegetational 'center' for the forests of the United States" (Whitaker 1961). It is "... a center of biodiversity worldwide. Such a place deserves special care" (Noss 1989). HR 2866 offers an opportunity to provide such care.

Today, many conservation biologists agree that society should protect large, intact, natural ecosystems wherever possible to provides sites for evolutionary processes to unfold, unaffected by humans, as the temperature of the planet rises due to global warming. Passage of this legislation will provide such a site.

Mr. Chairman, many efforts are currently underway in California to create an integrated, scientific based, land management scheme for the Klamath Province. One interagency effort under the auspices of the Executive Council on Biological Diversity involves representatives from federal, state and local agencies as well as public representatives, including the U.S. Forests Service, the U.S. Fish and Wildlife Service, the National Park Service, the Bureau of Land Management, the California Resources Agency, the California Department of Forestry, and the California Department of Fish and Game. The goal of this undertaking is to insure that all land use decisions in the region promote the maintenance of the biological diversity of the Klamath province. Federal acquisition of the Headwaters Forest and the other lands in HR 2866 is critical if this effort is to succeed.

Acreage added to the Six Rivers National Forest will provide opportunities for the American public to participate in decisions affecting the management of these lands. Today, the Six Rivers National Forest is in the process of receiving comment on its much

belated, draft land and resource management plan. Speedy passage of HR 2866 will mean that the newly acquired lands will benefit from the resource inventories and management decisions that are part of the forest planning process. This process will identify important, new multiple use opportunities.

One particular value of the acquisition will be the new opportunities for public access to these lands. New recreational opportunities stimulate tourism and can contribute significantly to local economies. In addition to unequaled primitive recreational opportunities in the Headwaters Wilderness, passage of this legislation and subsequent funding could provide access for new fishing, white water rafting, mountain biking sites, and other activities. Because public access is so important, we recommend that the legislation be amended to require the land owner to provide appropriate easements and rights-of-way.

The population of California is expected to increase by 21 per cent over the next decade to exceed 30 million people. The demand for wilderness recreation will only increase as our population grows and our urban areas expand. Federal ownership will help meet this growing demand.

The Wilderness Society is concerned that the appraisal by the Forest Service overestimates the cost of acquisition of the Headwaters Forest. Apparently, the Forest Service assumed that all of the parcel could be logged. Given that the Headwaters forest and much of the other land provides critical habitat for the northern spotted owl and marbled murrelet, both listed under the Endangered Species Act, this assumption is unfounded. Current logging plans approved by the California Department of Forestry are held up in species-related court challenge. Chances are good that much of this land would not be logged. Thus, the Forest Service cost estimate is unrealistically high.

Much of these lands possess mature second growth forest that would be subject to the forest planning process. After acquisition of the entire 44,000 acre parcel and completion of the planning process, these second growth forest lands might be added to the suitable timber base of the Six Rivers National Forest, providing a sustainable supply of timber to local communities and dollars to the U.S. Treasury.

If managed at a sustainable level, the second growth forest on these lands could potentially produce up to 50 million board feet of timber annually. (In fact, the previous owner of the land logged 200 million board feet annually.) Should the federal government acquire all 44,000 acres, this addition to the Six Rivers National Forest could generate about 10 to \$15,000,000 annually. The legislation could specifically earmark this revenue to pay for the acquisition. At this rate, the entire parcel could be paid for in twenty to thirty years while simultaneously generating funds for local counties through the Forest Service Revenue Sharing program.

Mr. Chairman, the Clinton Administration and California Governor Pete Wilson have both publicly expressed their support for the acquisition of Headwaters Forest. In 1991, the Governor proposed a \$300 million bond act to acquire these important forest lands. In addition, in a recent letter, Jim Lyons, the Assistant Secretary of Agriculture for Natural Resources and the environment, a man well-known to this committee, expressed the Administration's "strong support for the ... legislation."

Mr. Chairman, members of the Committee, on behalf of our 300,000 members, 50,000 of whom reside in California, The Wilderness Society urges you to act quickly and report HR 2866 out of your committee. Future generations of Americans will applaud your farsighted action.

HR 2866/10-21



California-Hawaii Student Environmental Action Coalition

The Headwaters Forest Act was introduced by Representative Dan Hamburg (D-Ukiah) in response to a growing awareness within citizens of Humboldt Bay of the economic and ecological importance associated with the preservation of the largest unprotected stand of ancient redwoods.

Humboldt county is much more economically diverse than neighboring Del Norte and Trinity counties. The city of Eureka, located within 25 miles of the Headwaters Grove, is currently pursuing an aggressive port expansion project and has always been a favorite vacation spot for visitors touring the Pacific Northwest. An incredible level of concern for the environmental quality of Humboldt Bay has resulted in the restoration of the old Arcata landfill into an internationally renowned salt marsh and holistic wastewater management system. Restoration of local rivers to improve salmon spawning grounds has kept the sport fishing industry alive (at least for now). Inclusion of the Headwaters Grove into the wilderness system is the next logical step in the conversion of the Humboldt Bay area from Victorian-age logging camps to prosperous and economically diverse modern cities.

Inclusion of Pacific-Lumber (PL) land into the Six Rivers National Forest is justified because of the dramatic change in management practices since its hostile takeover by Charles Hurwitz of the Maxxam Corporation. Before the takeover PL was hailed even by most environmentalists as being a model example of corporate logging practices that were sensitive to the needs of wildlife as well as managing for the long-term economic health of dependent communities. Since Hurwitz acquired PL the corporation has tripled its cut on its own land in order to pay off an estimated \$864 million in junk bond debt associated with the takeover. This has resulted in management practices that have been detrimental to the long term health of the community as well as the environment.

Although Maxxam's PL has created a short term boom in new jobs and mandatory overtime for present workers, the present harvest rate is an ecological disaster that will lead to mass unemployment. The present boom from the mining of PL's ancient forests won't last much longer and the pain of economic transition won't be any easier with PL's ancient forests gone! Six Rivers National Forest has the capability to log the much of the land in a sustainable manner and protect the Ancient forests through the goals of Ecosystem Management that includes protecting wildlife corridors to prevent habitat fragmentation. Maxxam's accelerated harvesting has been challenged in court by groups like EPIC (Environmental Protection and Information Center) to protect the ecosystem from the cumulative effects of over accelerated cutting and the displacement of endangered species such as the marbled murrelet. Existing laws and agencies responsible for their enforcement have proven inadequate to achieve these goals on private land.

The Headwaters Grove is known to be nesting habitat for the marbled murrelet, a bird listed as threatened under the Endangered Species Act. Marbled murrelets are unable

disturbance and residual wilderness, wildlife populations are altered dramatically. The stellar's jay, raven, and other birds thrive in disturbed landscapes, on the edge of old-growth forests. Predation on murrelet eggs by these birds now threatens the old-growth dependent marbled murrelet. This will dramatically reduce the sustainability of remaining populations. After the cumulative effects of more than a century of unsustainable forestry practices, the once nearly continuous band of ancient forests are now confined to small islands. Fragmentation of potential marbled murrelet nesting habitat is also isolating populations, increasing the likelihood of localized extinction as a result of natural catastrophe or human disturbance.

The Headwaters Grove also supports some of the best spawning grounds for the coho salmon. Less than 2% of the California coastal strains of coho remain. They are known to spawn on several of the creeks and rivers in the Headwaters Grove as well as lands to be transferred to Six Rivers National Forest. Coho depend on the cool water provided by heavily forested areas. Spawning production is now at less than 25% of 1900 levels, total number of fish returning to spawn is down to about 5% of historic levels. Mortality of young fry increases quickly in response to rising water temperatures and sediment levels associated with large scale logging operations. The coho will soon be added to the federal list of threatened and endangered species, and their survival depends on protecting all remaining habitat. Although PL has a hatchery, hatchery fish are inferior to native stock in both their vigor and genetic variability, compete for space and resources with native fish, and do nothing to address to central issue: habitat loss due to more than a century of unsustainable forest resource exploitation.

Preservation of the redwood ecosystem as a whole depends on protection and enhancement of all remaining stands of old growth redwoods. These groves provide shelter for sensitive birds, amphibians, and mammals. Ancient groves furnish the spawning grounds of threatened salmonids with the cool, oxygen rich water and clean gravel that they depend on for their reproductive survival. Given the current threat to the only high elevation ancient redwood forests for in the Headwaters Grove, immediate protection is imperative if public resource values such as endangered species and ancient forests are to be preserved for future generations.

Arcata SEAC : 1604 Chester Ave., Arcata, CA, 95521
(707) 826-1573

October 12, 1993

Dear Members of the Subcommittee on Specialty Crops and Natural Resources:

I am writing in hopes that you will listen to our side of the story regarding HR 2866 the Headwaters Protection Act.

Congressmen Hamburg and Stark wish the government to purchase from The Pacific Lumber Company approximately 44,000 acres of forestland in Humboldt County, California. In addition, another 14,000 or so acres would be set aside as a study area apparently to decide if it too should be purchased. This land is in the heart of the Company's approximately 196,000 acres of property, all zoned for forest products production.

The Pacific Lumber Company has been harvesting trees, and growing trees on this property for 125 years. Approximately 1,300 people work for the company, many of second or third generation employees. You will probably receive much more information about our company, so let me just say that it is a wonderful company to work for.

I am a wildlife biologist, and I work together with our foresters and fisheries biologist on creating Timber Harvest Plans which utilize the most sensitive and comprehensive techniques to conserve and create wildlife and fish habitat while providing quality wood products.

As a wildlife biologist when I read the proposed bill (HR 2866), and hear Mr. Hamburg speak, these are the most important points raised in my mind:

- The Bill states that the old growth groves are crucial to maintain habitat needed for "old growth dependent species." The Bill mentions marbled murrelets, spotted owls, and certain salmon stocks. Marbled murrelets do nest in old growth trees, also some second growth trees, and on the ground in some parts of their range. Very little is known about them, and The Pacific Lumber Company is at the fore front of researching this species and how to conserve their habitat. The spotted owl is not old growth dependent. The forest products industry has done years of research which shows that the spotted owl thrives in second growth and third growth forests. Additionally, The Pacific Lumber company has a long-term management plan for spotted owls approved by the U.S. Fish and Wildlife Service, the Forest Service (who this land would be transferred to) does not. Salmon do not depend on the age of the forest, they depend on the quality of the rivers and creeks that they live in. The Company is working with the California Department of Fish and Game, and local fisheries groups, to run fish hatcheries, maintain water quality, and fund and

Members of the Subcommittee on
Specialty Crops and Natural Resources
Page 2
October 12, 1993

participate in stream restoration projects. Mr. Hamburg's bill also states that the old growth forests are being harvested "without regard to their ecological importance and without following Federal Timber Harvest Guidelines." Nonsense, all harvest plans are reviewed by federal and state agencies for compliance, and must meet all requirements before approval. The bill fails to mention that there are already approximately 200,000 or more acres of Redwood Parks in California, of which 90,000 or so is old growth which can never be harvested. This also means that another 110,000 acres is second growth which will never be managed, and will become habitat for species such as marbled murrelets in a very short period of time.

Finally, much of the bill is based on retraining programs for company employees to provide jobs in reforestation and stream restoration projects. Ridiculous, as the company's land is already fully stocked (growing trees), and the company plants approximately 500,000 seedlings per year to supplement the natural sprouting of redwoods. As I mentioned earlier, the company is already involved in fisheries and watershed work. The latest issue of the Smithsonian (October 1993) has an excellent article on the failure of job retraining, etc. All that aside, what becomes of our children, and our children's children, when the retraining dollars run out? It just seems like plain common sense to let the company's foresters and biologists manage this private land properly into the future - after all, that's what makes America a great country.

Thank you for your time and if I can be of further help, please call me at (707) 764-4289.

Sincerely,



SAL CHINNICI
P.O. BOX 712
SCOTIA, CA 95565

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Chairman Charles Rose
 Specialty Crops and Natural Resources Subcommittee
 Agriculture Committee
 House of Representatives

Mr. Chairman,

Greenpeace, on behalf of its 1.4 million members, is in full support of H.R. 2866, The Headwaters Forest Act introduced by Representative Dan Hamburg. This bill, which would protect the largest privately owned stand of coastal Redwoods in the country, is essential to ensuring future generations the opportunity to appreciate one of America's greatest natural heritages. Along with Rep. Hamburg, Greenpeace would like to thank you, Mr. Chairman for acting quickly on this legislation.

The importance of the California Redwoods cannot be understated. As an incredibly diverse ecosystem, the remaining coastal redwoods harbor many threatened and endangered species whose ranges have been limited due to the overharvesting of these great forests. Along with trees, owls and murrelets this legislation will protect riparian areas and their aquatic life, soil, certainly not a renewable resource, and the intricate web of life we all depend on.

All too often we have waited until the crisis point to protect forest ecosystems. Representative Hamburg has shown both foresight and dedication to our ecological needs by taking a proactive approach to ecosystem protection.

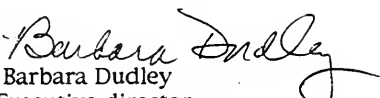
Greenpeace has long advocated a move away from the emphasis on "emergency room" care for the protection of species. A greater focus on ecosystem/habitat protection is one way we can avert the tragic losses, both economic and biological, associated with overharvesting and habitat loss. Hopefully this bill and its step towards preventative care will serve as an example for other forest lands. The passage of this bill will show that the hard lessons learned in other regions have brought us to a new level of forest management.

Ninety-five percent of our ancient Redwoods are gone, as is an equal amount of low elevation ancient forests nationwide. With this much of our native forests lost to the chainsaw it is impossible to reach the "balance" that is often the goal of forest management. Greenpeace would hope that we can get closer to that "balance" by protecting all remaining old growth and native forests and instituting a land ethic that better recognizes the nonextractive values of our nation's forests. This legislation represents a small, but significant step towards those goals.

Greenpeace would also like to thank Representative Hamburg on his proposed wilderness designations. Our National Wilderness Preservation System is perhaps the greatest system of protected, pristine temperate forests in the world. There is no question that the additions made in this bill improve the wilderness system and its intent.

Respectfully,


Edward J. Daly
Temperate Forest Campaigner


Barbara Dudley
Executive director

SCOTIA PACIFIC

Post-It™ brand fax transmittal memo 7671		# of pages > 3
To	From <i>Barry DeLoach</i>	
Sub Committee on	Co.	
<i>Conservation</i>		
<i>and Natural</i>	Phone (707) 822-5443	
Fax #	Page (707) 764-4460	

October 15, 1993

Dear Mr. Congressman:

I am opposed to HR 2866, a bill by Dan Hamburg which is not a good bill to support. I am a professional forester and can tell you some reasons why not to vote for it.

1. This bill will take land from private ownership and transfer it to the U. S. Forest Service. Of the 44,000 acres, only 3,000 are old growth which the owner is willing to sell for \$600,000,000. The transfer of the remaining 39,000 acres to U. S. Forest Service land would be sold against the owners wishes. The transfer to Six Rivers National Forest will not mean jobs, but will mean no production from second growth timberland. You must understand that the Six Rivers National Forest has a moratorium on the harvest of second growth redwood, even though it is the fastest growing conifer in California forests. All of the 39,000 acres would be second growth redwood timberland put out of production.
2. There are 1,200 (approximately) workers at the four mills owned by The Pacific Lumber Company. It may not seem like many, but of the 1,200 workers there are families with hopes and dreams. The Pacific Lumber Company helps Humboldt County make ends meet. The loss of the land would require the company to reduce the workforce by at least 600 employees. Money circulates six times in our county which means 3,600 jobs may suffer that support the area's economy outside of The Pacific Lumber Company.
3. It has been 25 years since Redwood National Park was created. Since its creation, there has not been a tourism boom in our area. The existing state parks are the most visited. By the way, Rockefeller forest (20,000 acres of old growth) was sold to the Save the Redwoods League by The Pacific Lumber Company.
4. The Save the Redwoods League is opposed to HR 2866.
5. Rep. Harold Volkner, who presided over the Headwaters Forest hearings, said government does not have the money to spend on land acquisition.
6. Representative Hamburg is showing photos that are not true, the company foresters and loggers treat their land with care. Those photos are not accurate.

SCOTIA PACIFIC

7. Redwoods sprout from cut stumps, they are the only conifer that does this method of regeneration. There also is planting of the forest after logging to meet California's Forest Practice Act, the nations toughest forest laws.
8. Dan Hamburg is financed by environmental groups that are preservationists, not conservationists.
9. It appears that everyone is an expert on forestry, while few that make decisions on the subject In congressional debates are educated in forestry. As a professional forester, it is my opinion that HR 2866 is poorly structured.
10. The Pacific Lumber Company has a fisheries enhancement agreement with California Fish & Game, a Spotted Owl Management Plan with U.S. Fish & Wildlife, and is developing a Marbled Murrelet Management Plan with U. S. Fish & Wildlife.
11. The bill would cost taxpayers \$1.5 billion dollars, plus retraining and welfare costs.
12. The Humboldt County Board of Supervisors is against the bill, along with California Governor Pete Wilson, local city councils, trade unions, California Licensed Foresters Association, Santa Rosa Press Democrat newspaper, and Forest Service officials from the local Six Rivers National Forest.
13. This proposed land grab is ten miles west of the one million acre Six Rivers National Forest. This is not an inholding. Many hundreds of landowners are between Six Rivers National Forest and The Pacific Lumber Company lands.
14. Rep. Dan Hamburg did not ask advice from professional foresters in state, federal or private positions before drafting HR 2866, though he says he did. Only Sierra Club and Earth First! (a radical environmental group) members were consulted. Earth First! is known for eco-terrorism, tree-spiking, pipebombs, etc.
15. The Pacific Lumber Company is not much different now than before the MAXXAM takeover. The company has the same employees, it has the best insurance package in the business, and it has an unbeatable benefit program. The company even helps pay for employees' children to go to college.
16. The difference is that for years the company cut less than it grew. Now the company is on a sustained yield harvest. The company recently refinanced and is in good shape to pay off debts for the future and harvest redwood on a continuous level forever.
17. The U. S. Forest Service has sold very little timber to private companies in recent years. Only a few sales occurred in the past years. On Six Rivers National Forest (almost one million acres), only 40 million board feet are

SCOTIA PACIFIC

planned in the Forest Plan which is not approved; so it seems the National Forest is not a future source of timber for local mills. The Clinton Timber Plan will be five years away before we will see any action in the economy according to local forest service officials.

18. The Headwaters Forest is not a park-like setting. It consists of hilltop timber that is short redwood and fir. It has steep hillsides and a lot of brush. The Save the Redwoods League Director says this is poor land to purchase because it will not be accessible to the public.
19. There will not be any more species put on the endangered species list if the 38,500 acres is managed for timber. The Pacific Lumber Company is willing to sell 4,500 acres. That includes a buffer strip and a 3,000 acre block of old growth. It appears that there is not a true need for the additional 38,500 because it is only targeting The Pacific Lumber Company's property and not a true buffer of other landowners.

Come visit the area before you decide. Many lives will be destroyed by HR 2866. Don't be lied to by he who holds the sword. I am a professional forester that knows about forestry and the redwood forests of northern California. I would be glad to answer any questions or be of help to educate yourself or advisors with the true facts of the issue.

Thank you,



Barry Dobosh
Registered Professional Forester
#2398
1982 Buttermilk Lane
Arcata, CA 95521
(707) 822-5443



THE PACIFIC RIVERS COUNCIL

formerly THE OREGON RIVERS COUNCIL

605 Prince • Alexandria, Virginia 22314

(703) 836-3420 • Fax (703) 739-9481

October 20, 1993

The Honorable Dan Hamburg
114 Cannon House Office Building
U.S. House of Representatives
Washington, D.C. 20515

Dear Congressman Hamburg:

The Pacific Rivers Council would like to offer our support for the protection of the Headwaters Forest in Northern California. This magnificent stand of ancient redwood forest is a vital, functioning old growth ecosystem, offering habitat and sustenance for a number of increasingly rare and endangered species. The streams of the Headwaters forest still has some of the only remaining high quality spawning and rearing habitat for coho salmon in California, a species which is at risk throughout its range.

The importance of the Headwaters forest will become increasingly apparent in the next year as data is gathered in response to Pacific Rivers Council's action today. Today we have filed a petition to list the coho as an endangered species throughout its range under the authority of the Endangered Species Act.

The market value of this privately held forest is quite high, placing this fragile ecosystem in grave jeopardy from the very real potential of harvest. We cannot stand by and let the trees fall. The Pacific Rivers Council supports your effort to raise the protection of the Headwaters forest in Congress. As with others, we also have reservations about the anticipated cost of outright purchase of the land. For the same amount of money we could secure and restore every key watershed harboring the best remaining salmon spawning and rearing habitat that is left on federal lands. But, we understand your commitment to work with the agencies, the owners of the land, and others to seek innovative methods, through donation or trade, to acquire the Headwaters forest. We think this approach is fair and appropriate and fully support you in that effort.

We wish you well in your endeavor to save the Headwaters forest for the fish and for future generations of Americans. Please feel free to enter this statement in the hearing records for those hearings held recently on this issue.

Sincerely,

Bob Doppelt
Executive Director

New Visions to Restore America's Rivers and Watersheds

offices also in Eugene and Portland, Oregon



Working for the Nature of Tomorrow.

NATIONAL WILDLIFE FEDERATION, 1400 Sixteenth Street, N.W., Washington, D.C. 20036-2266 (202) 797-6800

Office of the President

October 12, 1993

The Honorable Dan Hamburg
United States House of Representatives
114 Cannon House Office Building
Washington, D.C. 20515

Dear Representative Hamburg:

I would like to take this opportunity to communicate the National Wildlife Federation's support for your bill, H.R. 2866, the Headwaters Forest Wilderness Act.

As you know, NWF has made protection of the ancient forests of California and the Pacific Northwest one of our top public land priorities. The old growth and other redwood forests which will be protected by this bill are a priceless part of our Nation's natural heritage; indeed, they are unique in all the world. Yet these magnificent and once expansive forests have been devastated by excessive and shortsighted logging.

The Headwaters richly deserves the protection which your bill affords. We thank you for your efforts on behalf of this forest and its fish and wildlife resources.

Sincerely,

JAY D. HAIR

JDH:fah

**Watershed Conditions in the Headwaters Forest Act
(HR 2866)**

**Testimony Submitted on HR 2866
to
The House Agriculture Subcommittee
on Special Crops and Natural Resources
and
The House Natural Resources Subcommittee
on National Parks, Forests, and Public Lands**

**By
Thomas M. Herman, Resource Manager
The Pacific Lumber Company**

October 26, 1993

I have had the opportunity to review the testimony of Peter B. Moyle in support of HR 2866 submitted into the record at hearings on the subject legislation.

While Mr. Moyle has an impressive background in fisheries biology, it is patently obvious from his testimony that he is mostly ignorant as to the history and conditions of the watersheds he addresses.

Mr. Moyle states that, "Elk River is an exceptional stream for coho salmon . . . because the channel in many areas is in reasonably good condition, protected by having old growth redwood forests in the headwaters." The fact is that the Elk River watershed is one of the most heavily logged drainages on the north coast. During the 1920's and 1930's, virtually the entire drainage was systematically clearcut and burned utilizing railroad logging techniques without any regard for protection of fisheries resources or reforestation. Moyle would have one believe that most of the headwaters are pristine first growth forests. The fact is that less than 8% of the watershed supports such timber stands. It is ironic that a watershed that was intensively harvested utilizing some of the most destructive logging techniques before concerns for other resources, is "exceptional" with regard to fisheries. The drainage now supports healthy and productive 60 to 70 year old young growth redwood stands on managed industrial timberlands. The conditions today are the product of private timber management.

The Salmon Creek watershed is "less productive . . . presumably as a result of cumulative effects of timber harvesting in the drainage," according to Moyle. Moyle believes the meager runs are dependent upon protection of the headwaters. Again, Salmon Creek was intensively logged prior to adoption of any consideration for watercourse protection and less than 10% of the watershed supports old growth timber. What Mr. Moyle neglects to mention is that, until recent years, flood gates

have been maintained on the mouth of Salmon Creek for an extended period of years preventing passage of virtually all anadromous fish. If the productivity of Elk River is so exceptional following a similar land management regime, then it would be expected that Salmon Creek is similar, but for intentional man-caused blockage.

With respect to Yager Creek, Mr. Moyle pleads ignorance because The Pacific Lumber Company (PL) denied he and his crews access. PL has no knowledge of any request and denial of access, but what is interesting is his ability to comment on Elk River and Salmon Creek without any compunctions despite his lack of ever having been there. Mr. Moyle eludes to some "cursory surveys" of Yager Creek and that federal ownership will likely result in restoration efforts. The fact is that PL works cooperatively with California Department of Fish & Game and California Conservation Corps in a comprehensive watershed management and fisheries restoration program for all of its lands. Yager Creek and its tributaries have been the focus of the program efforts to date. The drainage is probably the most intensively surveyed and monitored watershed in the state and has had more in-stream and up-slope restoration projects completed than probably any other watershed in the state. PL maintains a fish hatchery on Yager Creek raising natal stocks including coho to jumpstart the recovery of the fishery as habitat is made accessible and improved. Additionally, the company allows no fishing on its lands, that they may serve as a sanctuary for anadromous fish. All this is being done voluntarily under private ownership. Mr. Moyle again tries to portray the headwaters of Yager Creek and its tributaries as protected with old growth forests. The fact is that the majority of the headwaters areas of this drainage are natural grasslands used for cattle grazing. Studies commissioned by PL by independent consulting hydrologists concluded that the vast majority of sediment entering the drainage system originates from the more unstable grassland soils that are not on PL land and not included in HR 2866. Additionally, very little of the drainage supports old growth, estimated at less than 2%.

Mr. Moyle's testimony is very disappointing coming from a so-called "scientist." Testimony of this nature is symbolic of the erosion of scientific credibility we are experiencing today. Here is a man of impeccable credentials reporting the status of streams of which he has little knowledge in his effort to advocate condemnation and preservation of productive private lands. This testimony is not science, but pure conjecture masquerading as science by the nature of its source. The political leaders of this country must recognize this ploy and insist upon facts in their deliberations.

CALIFORNIA FORESTRY ASSOCIATION

October 29, 1993
File #1412-HR 2866



Congressman Charlie Rose
2230-RHOB
Rayburn House Office Bldg.
Independence & S. Capitol Street, S.W.
Washington, D.C. 20515

Dear Congressman Rose:

We are writing to express our opposition to H.R. 2866, the Headwaters Forest Act. The California Forestry Association (CFA) is a trade association of timber growers and manufacturers of wood products. This bill has a direct impact on our members. Our members produce 80% of the wood products produced in California, 70% of which remains in the state to support a healthy state economy. Recent debates over the management of federal lands has caused our members an increased dependency on private lands. Until recent years, 50% of the products manufactured by our members originated on private lands. In 1992, 72% of the products originated on private lands.

H.R. 2866 proposes to take between 44,000 and 57,000 acres of private lands against the will of the landowners and add them to the national forest system. John Campbell, President and Chief Executive Officer of Pacific Lumber Company, the major landowner of the proposed acquisition, testified the following facts before the Subcommittee on National Parks, Forests and Public lands, Committee on Natural Resources.

- o Pacific Lumber is willing to sell, trade or otherwise transfer no more than 4,500 acres in and around the area known as the Headwaters.
- o The voters of the State of California rejected three separate ballot initiatives in 1990 which would have provided funds for the acquisition of the Headwaters.
- o Another ballot measure with partial funding for the Headwaters acquisition is being planned for 1994 or 1995 by California state officials.
- o Pacific Lumber has already donated or sold at below value nearly 20,000 acres of California's most magnificent redwoods for preservation and inclusion in state and county park systems.

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PHONE 916 444 6592
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o Pacific Lumber has voluntarily withheld harvesting in the Headwaters since 1990.

o To the contrary of many media reports, Pacific Lumber is a responsible company, using the environmentally correct selective cut prescription over 95% of the harvested acres. Pacific Lumber does not clearcut virgin old growth redwoods.

o Since 1986, Pacific Lumber has added 350 new employees, while at the same time, modernized its mill for greater utilization of forest products.

o Pacific Lumber is operating under a property-wide management plan for the northern spotted owl, developed in cooperation with the U.S. Fish and Wildlife Service.

o Pacific Lumber is one of the leading private researchers in fish and wildlife, having raised and released over half a million salmon and steelhead from the company-owned fish rearing ponds and has successfully raised northern spotted owl fledglings from artificial nesting structures.

o Pacific Lumber, with a 124 year management history, utilizes computer models based on data developed from a comprehensive inventory of its entire ownership to assure current conservative harvest levels are sustainable indefinitely.

Addition to government lands is unnecessary. Sixty percent of northern California is forested lands of which 54 percent is federally owned. Small private ownership is 34 percent and only 12 percent is owned by industrial forest products companies. Over 80 percent of the coastal redwoods are already preserved in federal, state and county parks. In addition, redwoods on national forest lands have not been harvest for nearly a decade. In fact, under the President's new forest plan, 90 percent of the Six Rivers National Forest will prohibit timber management. It is not reasonable to expect any of the land acquired under this bill will be managed.

As Professors E. C. Stone, R.F. Grah, and P.J. Sinke stated in their analysis of the redwoods in Redwood National Park, without management, "succession over the next one hundred years would certainly result in some change, ... over the next five-hundred years would result in the predominance of hardwoods, Douglas-fir, Sitka spruce, lowland white fir, hemlock and western red

cedar... and over the next two-thousand years could result in the disappearance of redwoods from the park."

We ask that you oppose H.R. 2866 and encourage your colleagues to do the same.

Sincerely,



John B. Hofmann
Director of Resource Supply
Public Lands Division

JBH/ea

TESTIMONY OF VICTOR W. KACZYNSKI, Ph.D.

RELATIVE TO THE HEADWATERS FOREST ACT AND TESTIMONY OF PETER B. MOYLE (H.R. 2866)

Qualifications: I am a practicing fisheries scientist with 24 years of professional experience with salmonid issues in the Pacific Northwest. I have been a senior author on three major reports that have analyzed and described the reasons for salmonid declines in northern California, Oregon and Washington States. I began my professional career as an Assistant Professor at the University of Washington, working with the feeding behavior and ecology of salmon in Puget Sound. I have been a consultant and applied researcher since 1972. In northern California, I was the project manager of the Klamath Basin fisheries management and restoration plan which became federal law with a 20 year funded recovery plan (for the U.S. Department of the Interior, 1985). I was also a consultant to Simpson Timber Company, Miller Redwood Company, Louisiana Pacific, Sierra Pacific Industries, the California Forest Protective Association, the City of Redding, and the Glen Colusa Irrigation District in the region. All of these projects involved salmonid problems evaluation and most involved the development of solutions to these problems. I was also a consultant to the United States Fish and Wildlife Service on the identification and mapping of all major wetlands in Northern California.

This testimony comments and expands on the testimony of Professor Peter B. Moyle dated 7 October, 1993.

The essence of Professor Moyle's testimony can be boiled down to four main points:

1. Relatively good remaining salmonid habitat is on forest lands. The rest is relatively degraded.
2. Relatively very good salmonid habitat occurs in old growth forest.
3. Drainages where heavy logging occurred in the past are relatively less good than undisturbed forest stream habitat.
4. Logging and roading in headwater areas will create excess sediment. This will impact all downstream habitats.

Comments follow on the above points:

- 1a. Forest stream habitat today is in the best relative condition. Downstream habitat has been badly damaged. This is true. No comparable best management practices exist to protect agricultural or urban stream areas as in forested areas. This is the reason preservation groups are strongly pushing to "save" what is left. However, the potential for restoration and benefit is

much greater below the forest. This will be expanded upon below.

- 1b. Primary chinook and coho salmon habitat historically was below the present day forest. Chinook salmon habitat was and is in the floodplain, most of which is below the forest. Primary coho salmon habitat was and is just below and somewhat into the forest (below the 3 percent landscape gradient). Important summer and critical overwintering coho salmon habitat is in the floodplain, mostly below the forest, in large deep pools and in off channel areas that flood in winter. These critical winter areas are also important for steelhead and sea-run cutthroat trout for refuges from winter storm runoff conditions. Local flood control projects, agricultural land reclamation, and urban growth have very much impacted these important summer rearing and critical winter refuge habitats. Downstream human activity has contributed much more sediment on a unit acreage basis and has seriously aggravated flood runoff conditions than has forest activities. Water diversions have seriously reduced summer flows.
2. Salmonid habitat in old growth area streams generally is in relatively very good condition. The quality of specific streams varies with natural conditions and events. This is the standard by which we evaluate other forest stream habitats. However, old growth area headwater streams have a limited productivity potential for salmonids. Stream area is low, stream gradients are high, deep large pools are scarce, summer flows are often low, and biological food chain production is relatively low. Headwater streams are primarily habitat for resident cutthroat trout and to a lesser degree steelhead trout. Some coho salmon do use headwater stream areas but this really is secondary habitat with limited potential for them.
3. Heavy logging practices in the past did damage fish habitat. Fishery and land management agencies required the removal of large woody debris from and along streams in the late 1960s, 1970s and even into the early 1980s. Equipment operated in and adjacent to streams and streamside trees were harvested. Road construction and maintenance standards were not prescribed or were not generally routinely engineered. Present practices reflect the lessons of the past and the knowledge we have gained with time and experience. Present stream and soil protection measures are designed to protect and even restore stream habitats. One needs to carefully separate past practices and

their impacts from present practices which continue to evolve.

4. Headwater logging and roading will not necessarily create excess sediment in streams. Natural events cause slope failures and such failures are important in the ecology of salmonid habitat development and use. They replenish stream gravels and nutrients and we would have serious productivity problems without them. I am not advocating slope failures, but I am pointing out that they are part of the natural process. The important point is not to increase the frequency of slope failures through human activity. Soil losses are not in the best interest of landowners who need these soils to maintain forest productivity. Soil conservation for forestry and for fisheries are compatible goals.

Some direct and miscellaneous points by Professor Moyle should also be addressed:

Page 2, 2nd paragraph. *"The decline of coho salmon is particularly severe in California, the southernmost part of their range. ...even the hatchery coho are in decline and the mixing of hatchery and wild stocks in some streams has probably contributed to the decline of wild stocks."*

Professor Moyle has neglected estuaries and particularly the importance of ocean factors in his comments. Estuary losses and degradations are severe in Oregon as revealed in our recent studies. From my work on the USFWS wetland status mapping project in northern California, one could imply serious estuary losses in northern California and related serious wetland losses nearby. Estuaries and marshes are critical components of chinook salmon and sea-run cutthroat trout habitat, and are important components for coho salmon and steelhead trout habitat. These fish grow rapidly in these habitats if they are not limited in their acreage and quality, and they use the estuary habitat to transition to salt water. If food becomes limited in the estuary, the salmonids must enter the ocean prematurely. The larger the smolt upon ocean entry, the higher its survival probability will be. In coastal Oregon and Washington, 90 percent of estuary losses were from land reclamation for agriculture and 10 percent were from dredge and fill activities to create municipal and industrial areas. These percentage losses are probably similar for northern California.

In 1976, there was a major current change that has seriously affected coastal coho and northern California and southern Oregon chinook salmon growth and survival.

California and Oregon coho salmon populations are depressed.

Chinook salmon populations from the Rogue River in southern Oregon are depressed, while populations north of the Rogue River, except for the Snake River and possibly the mid-Columbia summer (fall type) chinook run, are satisfactory and in fact are exploitable. Population status (except Columbia-Snake populations) corresponds primarily to migration behavior and ocean conditions. California and Oregon coastal coho and southern chinook stocks are "stay-at-home" fish in the nearshore ocean. In contrast, all chinook salmon stocks north of the Rogue River are north migrating to Alaska area marine waters.

Ocean coho salmon catches in Oregon steadily decreased to 1960 except for a temporary rise after World War II, then increased significantly through 1976 to a record high, and then decreased to the present. The increase from 1960 to 1976 reflected growing successful hatchery production plus good ocean conditions nearshore from Washington south to northern California. This is the ocean range of Oregon and northern California coho salmon. Hatchery production has not declined since 1976 and hatchery production methods, disease control procedures, etc. have improved if anything.

The coho salmon catch decline since 1976 reflects changes in the California/Alaska Currents which split from the eastward flowing North Pacific Drift as it approaches North America. In recent history through 1975, the main current flow split was south as the California Current. During that period, the Alaska Current was relatively weaker. The strong California Current brought cool, nutrient rich waters along Washington, Oregon and California. Related weather patterns were beneficial to local coastal salmon populations. Good precipitation occurred inland and strong winds out of the northwest resulted in relatively strong effective upwelling. These upwelling events enhanced the cool surface temperature of the water mass and made nutrients even more available in surface waters for phytoplankton. Biological production was good and local salmon survival and growth were good during this period (through 1975).

Biological production and salmon survival in Alaskan waters were less good through 1975. Since 1976, the Alaska Current flow has predominated and the California Current has been weaker. Biological and salmon production (growth and survival) in Alaska waters has been excellent since 1976.

In the weaker California Current since 1976, temperature has been warmer (less optimal for salmonids) and the water mass has had less nutrient. Biological production has definitely been nutrient limited in the weaker California Current since 1976. Related weather patterns have been relatively detrimental to local salmonid fish. Precipitation inland has been lower with several record drought years. Coastal upwelling events have been less frequent and, because of lowered nutrient concentration and

warmer water mass to start with, the upwellings have been less effective. The end result has been significantly lowered salmon productivity since 1976. Other related fish community changes have occurred. Herring and anchovy standing stock is noticeably down and, by contrast, the more normally warm water associated mackerel predator has not been uncommon.

Ocean survival for Oregon coastal coho salmon was about 8 percent during the dominant California Current flow years (pre 1976) and individual adult fish were large. This situation was similar for California coho salmon. Since then, ocean survival has been 2 to 3 percent and fresh water survival may have been less because of deleterious weather related effects inland. Adult fish have been noticeably small. Ocean harvest rates were not significantly adjusted for this definite drop in ocean (and possibly freshwater) survival, 3 to 6 percent, until 1992.

Hatchery production accounted for about 75 percent of the coho salmon in local nearshore waters in the mid 1970s. Socioeconomic pressures to harvest the relatively abundant hatchery fish resulted in a harvest rate of about 70 percent in a mixed stock fishery. This harvest rate was actually too low for hatchery stocks and with hindsight far too high for wild stocks. This caused a progressive decline in wild stock abundance and escapement which has reached a crisis level.

The mixed stock overharvest problem was progressive in its effect on wild coho salmon stocks. A similar ocean productivity shift and subsequent overharvest impact occurred to the relatively non-migratory southern chinook salmon stocks. These ocean current and overharvest problems were aggravated by growing marine mammal predation. Salmon is not a major prey item for marine mammals, but on an annual basis, it is a significant item, perhaps 3 to 15 percent of the annual diet varying by location. The decline in the herring and anchovy fisheries may well have caused a prey shift to salmonid prey since 1976. Simple first order dietary estimates of salmon consumption by marine mammals suggest that it was equal to double the Oregon commercial salmon catch in 1990. An independent data set, Columbia and Snake River fish counting station counts of marine mammal bite and scratch wounds, definitely indicate that marine mammal impact is indeed significant and growing.

The mention of lamprey decline problems by Professor Moyle is significant. Lamprey populations are in decline throughout the Pacific Northwest. Lamprey are a preferred prey of seals and sea lions and their decline is highly circumstantial. Lamprey abundance was not an apparent problem in the Klamath Basin in 1985 based on 1983 data. In fact, we concluded that marine mammal predation was not serious in 1985 on salmonids, a conclusion that has changed in 1993 based on 1990 data. The only apparent significant change that could have affected lamprey is

the growing seal and sea lion populations. Forestry best management practices have significantly improved since then. Habitat conditions in freshwater for lamprey have improved if anything since 1983.

Professor Moyle's comments on the differences in coho salmon production of the Elk River, Salmon Creek, and Yager Creek are not scientifically unexpected. It is not unusual to observe basin to basin differences in coho salmon productivity. Basin areas differ, stream miles differ, geology differs, and perhaps, most significantly, stream size and gradients differ. As noted earlier, primary coho salmon habitat is below the 3 percent gradient and most important juvenile rearing habitat and critical winter habitat are in the flood plains, most of which is below the forest. Headwaters are not primary habitat for coho salmon and chinook salmon habitat is virtually all below the forest.

I sincerely hope that these comments assist you in your deliberations on this potential bill.

Respectively submitted,

VW Kaczynski

V.W. Kaczynski, Ph.D.
 Certified Fisheries Scientist, AFS
 35022 Oliver Heights Court
 St. Helens, Oregon 97051
 October 26, 1993

Marbled Murrelets on Pacific Lumber Company Lands

Comments on House Bill HR 2866

To

The House Agricultural Subcommittee on Special Crops and
Natural Resources

And

The House Natural Resources Subcommittee on National Parks,
Forests and Public Lands

By

Steven J. Kerns

Certified Wildlife Biologist

Principal Biologist/Owner, Wildland Resource Managers

October 26, 1993

Committee Members,

I am writing you in regard to House Bill 2866 and the proposal for the United States Government to purchase the so call "Headwaters Forest" for the protection of the marbled murrelet and other threatened wildlife species.

By way of introduction, I am a certified wildlife biologist with the Wildlife Society holding degrees in biology and anthropology. Since 1970 I have worked as a field biologist, first for the California Department of Fish and Game, then for the USDA Forest Service. Presently I am the owner and principal research biologist for the consultant and management firm of Wildland Resource Managers. My firm specializes in working with private landowners in the agricultural and timber industries to find ways to manage the natural resources occurring on their property concurrently with producing a resource commodity. This is accomplished through intensive on-site studies of the wildlife species in question and their life cycles and habitat needs, and then working with the land manager to develop a management plan which will retain the habitat quality through the management process. Through this process I, and members of my staff have written management plans for deer, antelope, upland game, waterfowl, spotted owls, fisher, marten and marbled murrelets.

My firm has been under contract with The Pacific Lumber Company since 1988 to study the habitat requirements of the northern spotted owl, the marbled murrelet, the goshawk, the red tree vole, the fisher and marten, and other forest related wildlife. Since 1988 Pacific Lumber has spent hundreds of thousands of dollars studying wildlife and developing management plans that integrate timber operations with the retention of wildlife habitats. They have been successful in this process. An example:

In 1988 my firm was contracted by Pacific Lumber to study the northern spotted owls which government scientists reported as requiring old growth habitats. The scientists further reported that the population was in decline and fixed the blame on loss of habitat primarily through timber cutting. These studies resulted in the listing of the spotted owls as an endangered species and the subsequent IAC report.

Over the next several years we located, banded, and tracked spotted owls through the use of radio telemetry. What we found was that northern spotted owls are not only in the old growth habitats but also in the managed forests as well. In fact, in northwest California, the highest densities of owls have been found in the managed forests types (ie, harvested). With the information gained through our research, we wrote a northern spotted owl management plan for the entire ownership of Pacific Lumber. This management plan outlines the steps to take in order to retain spotted owl habitats concurrently with harvesting a commercial timber product (logging). The plan was reviewed and approved by both the California Department of Fish and Game and the U.S. Fish and Wildlife Service. The result is that Pacific Lumber Company can manage its land, and spotted owl habitats are retained.

During this process there were those in and out of government who said that the only way to retain spotted owl habitat was to preserve the forest as is. There answer was, and still is, to use the Endangered Species Act to acquire land for the preservation of wildlife habitat. There are of course situations where this approach is appropriate, but not, I believe as a rule of thumb. The taking of land out of production in the long run is damaging not only to the resource but to society. Far better to learn to manage the natural resource for the benefit of mankind, both maintaining wildlife habitats and extracting commercial products.

The question now centers on the marbled murrelet. Can marbled murrelet habitat be maintained while a commercial timber product is harvested? As with the owl, there are

those who say "no", that there is no known way to accomplish this. Yet that is exactly what was said about the owl. In 1988 the governmental and university researchers stated that the northern spotted owl was old growth dependent. Neither owls or marbled murrelets know if a forest is old growth or not. They only know whether or not their habitat requirements are present within the forest structure. For the owl, numerous types of managed forests contain suitable habitat. Said another way, forests have been managed to produce owl habitat.

For the marbled murrelet, its 1988 all over again. Governmental and university researchers are saying that murrelets must have the old growth, ie. the "Headwaters Forest." Murrelets only know that the habitat is present.

Since 1988 our firm, inconjunction with foresters and biologists with The Pacific Lumber Company, have been studying what constitutes suitable murrelet nesting habitat on Pacific Lumber Company lands. We have spent thousands of hours monitoring the flight and nesting behavior of murrelets on the property. This past summer (1993) we supervised over thirty field personnel who were collecting information on marbled murrelet nesting behavior and habitat structure. We have traveled to other murrelet nest sites in California, Oregon, and Washington to gain information on the forest structural attributes that constitute marbled murrelet habitat.

This intensive effort has culminated in a draft Habitat Conservation Plan for the marbled murrelet on Pacific Lumber Company Lands. Under this comprehensive plan, marbled murrelet habitat is identified and management practices are implemented to retain that habitat through time. For this plan to be implemented it will, like the owl plan, have to be approved by the California Department of Fish and Game and the U.S. Fish and Wildlife Service. Until such time of approval, the bird, and its habitat are protected by the Endangered Species Act, the California Endangered Species Act, and the California Forest Practices Act.

so the question before you is not one of will the habitat of the marble murrelet be retained, but rather under what management authority. HR 2866 would, as I understand it, authorize the federal government to purchase the "Headwaters Forest" and portions of surrounding property, thus placing the land in governmental ownership, at a tremendous cost to the taxpayer. The result will be a hands off management approach of the forest. The result of that will be in time a major fire, and a loss of the habitat the tax payer bought. It will also result in the loss of jobs and tax revenue, both of which our north state economy can ill afford.

I have read the notes and testimony of governmental and university researchers that support this bill. Their support is to be expected for two reasons. First, they are not faced with the economic reality of having to make a living from the production of a natural resource as are those whose livelihood is directly tied to the land. The governmental and university researcher salary will remain the same whether timber is logged or not. Therefore it is easy to say that the proper management is to "preserve" the forest as is. For those whose livelihood is dependent on production, the question is two fold, how to retain marbled murrelet habitat and how to produce a crop. The timber industry in California has learned to do that with the northern spotted owls (currently 5 companies have spotted owl management plans in California). Given the opportunity they will do the same for the murrelet.

The second reason is that seeing the land in the private sector does not serve the interest of the governmental or university researcher, for all to often they are not given the opportunity to work there. This is not without just cause, for simply put, when it comes to issues such as the spotted owl and the marbled murrelet governmental researchers have not been very helpful in answering the question of how to manage for a species concurrently with harvesting a product. All to often their answer is "lock it up."

Thus I want to encourage you to do two things:

First, reject this bill as a costly, irresponsible approach to a complex management question that revolves around good biology, forestry, economics and politics. In doing so you will save taxpayers millions of dollars, leave the management to those who do it best (PL has been managing its property for over 120 years) and help retain jobs and the economy in the north state.

Second, send a strong message to governmental researchers to work toward the questions of real management; production of a real commodity while, in this case, retention of suitable wildlife habitat.

Thank you for the opportunity to comment.

Steven J. Kerne

Steven J. Kerne
Round Mountain, CA
October 26, 1993

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SENATOR, FIRST DISTRICT

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PRISON CONSTRUCTION
AND OPERATIONS

October 14, 1993

Honorable Charles Rose
Member of Congress
2230 Rayburn House Office Building
Washington, D.C. 20515

RE: House Resolution 2866 (Hamburg/Stark) - Oppose

Dear Congressman Rose:

Rural communities in the Pacific Northwest are facing greater economic hardship than at any other point in their history. The rural economy, largely dependent upon privately owned, natural resource-based industries such as agriculture and timber, is reeling from the combined effects of the lingering recession and ever more restrictive timber harvest policy.

HR 2866, which authorizes the acquisition of 44,000 acres of commercial forest by the federal government, will add to the already high unemployment levels on California's rural north coast. The land in question is currently being managed to produce quality wood products while providing, and even enhancing, habitat for fish and wildlife. To take this resource out of private ownership is wrong and merits your **OPPOSITION**.

Our federal government should not spend hundreds of millions of dollars for forest acquisitions in northern California where there are already vast acres of land in public ownership, off-limits to any timber harvesting.

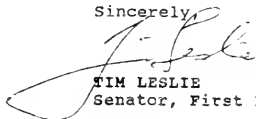
As a State Senator representing the First Senate District which encompasses thousands of acres of publicly-owned forestland, I implore you to vote against further acquisition and the consequential losses to the state and county tax base.

Honorable Charles Rose
Page Two
October 14, 1993

If HR 2866 passes, jobs will be lost and an unnecessary intrusion of the federal government on the property and lives of the citizens of northern California will result.

Your thoughtful consideration of my views on this matter will be appreciated.

Sincerely,

A handwritten signature in dark ink, appearing to read 'T. Leslie', with a large, sweeping loop at the bottom left.

TIM LESLIE
Senator, First District

TL:cw:jo

Testimony
by
Robert MacMullin
Consulting Forester
MacMullin Forestry and Logging
before the
Subcommittee on Specialty Crops and Natural Resources
Committee on Agriculture
U.S. House of Representatives

October 13, 1993

Mr. Chairman, distinguished Committee members, my name is Robert MacMullin. I am a Registered Professional Forester, a Licensed Timber Operator and owner of MacMullin Forestry and Logging. I earned a degree in Forest Management from Colorado State University, and have over 20 years of woods experience, 16 of them spent working in the Redwood forests of northwestern California.

I am here to urge you to oppose H.R. 2866. This is horrible legislation. It totally disregards the needs of the people who live in northwestern California. I am also here to answer questions about the forests in which I proudly work, nourish and protect, and the horrible inefficient effects current Forest Service policy is having on the working people of Northwest California and the forest itself.

You all should know Humboldt County has approximately 1 million acres of private forest situated

west of Six Rivers National Forest. These private forests are some of the most productive forests in the world. In this region the average forested acre, will grow, over a forty year period of time, approximately 40 thousand board feet. This means Humboldt County can produce, every year, forever (with the application of good forest management), over 1 Billion board feet. Currently these private lands are producing about 450 million board feet. Significant volumes of harvestable trees are being retained for wildlife values.

Since the development of the current California Forest Practice Rules in 1973, the change in best management practices on California private forest lands has been dramatic. Harvesting regulations in California are the most stringent anywhere in these United States.

As a consulting forester, my company harvests trees during summer months and plants over 200,000 new seedlings each winter. We also develop harvest plans, perform wildlife research and establish wildlife protection measures.

Of all the private forest lands that I have ever seen, Pacific Lumber Company has the finest forest land holding of any large company. They have, over the many years of operation, been good stewards of the land. And even though they have given and sold, (at low cost to the State), over 20 thousand acres of the finest original "Old Growth", they still maintain a cohesive block ownership.

The company has developed an approved Habitat Conservation Plan for the Spotted Owl. The U.S. Forest Service is still mired in lawsuits. The company has just developed a protection plan for the Marbled Murrelets. The Forest Service hasn't even considered this step yet.

In the 1920's Pacific Lumber developed a reforestation nursery.

Later, some 30 years ago the company developed fish rearing ponds and dedicated large sums to fish and wildlife development and protection. The company plants many thousands of salmon and steelhead each season. This year the north coast rivers had a banner year with a ten fold increase of returning salmon and steelhead.

Each year they reforest every acre that is harvested.

The location of the ownership, gentle topography, the deep productive soils, temperate climate, good road system and years of excellent stewardship, collectively makes this forest ownership twice as productive as the average forested acre in California.

Pacific Lumber Company is respected for their environmental record and commitment to community, donating over \$100,000 per year to charities. The company is dedicated to producing wildlife, protecting habitat, growing trees for our children and providing jobs and products we demand at the lumberyard and book store.

The last time Congressman Pete Stark tried to push this bill down our throat the U.S. Forest Service testified they did not have the capacity to manage any more forestland nor did they have an experienced knowledgeable staff to take on the job. They are now saying, yes they can do the job. What happened, did the Six Rivers National Forest just develop an incredible new work force, free from environmentalists lawsuits?

Congressman Dan Hamburg, you continually tell us that the Six Rivers National Forest will manage Pacific Lumber's confiscated 36,000 acres redwood forest, for multiple use.

Does anyone here know what that means? Multiple Use? On the Six Rivers National Forest only 10 percent of our 1 million acre forest is open for multiple use, meaning management for all values which include harvesting of trees. The remaining 900,000 acres is locked up in single use designation. Harvesting is forbidden.

Six Rivers National Forest just came out with its management plan for our public forest. It is stated that the 2,600 acres of redwood trees found on the forest is to be fully protected. NO TREES are to be harvested!

Does anyone know what the statement, "No Trees Will Be Harvested" means? Over 70 co-sponsors to this bill surely don't. How could any one possibly sign on to this bill without knowing this fact?

The answer is, you do not have all the needed information to make wise decisions.

I am told that is why you are all here. For you to learn the facts and make the best decision that will positively effect the families, the children, the economy and the health of the forest.

If this bill passes, the families, the children, the economy and the health of the forest will be drastically damaged.

Lets talk facts.

Each year the Six Rivers National Forest has had a net gain of over 250 million board feet more timber than the year before. This net gain includes the annual harvesting figures. Yet the sales program has declined to an average annual cut of about 10 million feet.

Due the many drought years there is an annual loss of approximately 60 million of board feet of timber land that is insect infested and dying. Very little of it will be harvested. Is this good stewardship? No, it certainly is not.

The Six Rivers, Trinity and Mendocino National Forests, in the years prior to being sued by the radical environmental groups, generated high-quality wood chips from low-grade logs. These worthless logs provided over 50 percent of the wood chips needed to operate the two pulp mills on Humboldt Bay. Today both of these mills are

closed. Over 50 million dollars which annually went into the local economy from this hub of economic infrastructure is now gone. Environmental lawsuits have and continue to block the Forest Service from doing their job.

In 1987 our northern forests had a series of lightning fires ignited by over 1,000 lightning strikes in one big storm. 578,806 official Forest Service acres burned. More than 1.9 billion board feet of timber was torched. 1.5 billion feet was located outside of wilderness and protected areas. 1.2 billion feet of dead burned trees were put up for sale. Environmentalists effectively cost the U.S. Forest so much time and expensive legal fees trying to stop the salvage operations that only 896 million board feet was removed. Approximately 600 million board feet was left standing to rot. An even greater disaster, was that reforestation only occurred on harvested accessible burn areas. Due to the delays caused by the environmentalists, so much brush grew in, seedlings could not be planted and the forests continue to be mismanaged and desiccated.

When Redwood National Park expanded in 1977, George Meany, AFL-CIO, got Congress to recognize, that many working people who lost their jobs due to that taking of private land, should be helped. Part of that deal was that the Six Rivers National Forest would increase their harvest levels to compensate the taking of the private

- 7 -

forest land. The harvest on the 1 million acre Six River National Forest was promised to go up to 200 million board feet. Never did our harvest average rise any where close to that level. In 1991 less than 1 million board feet was harvested on the Six Rivers National Forest.

Plain and simple the authors of that bill never intended to help the people.

Congressmen Hamburg and Stark write, that the USFS will manage for multiple use. Who is kidding who?

This land grab bill is dressed in the guise of protecting wildlife and never documents THE NEED for exactly what needs to be protected.

Pacific Lumber is not a willing seller.

In a moment, I will show you colored detailed maps of forests already within the control of the Government.

To take ultimately 57,000 acres from this company and give it to the U.S. Forest Service is MADNESS. Not to mention the terrific cost involved. I estimate the total cost is somewhere near 2 billion dollars.

Where will all of the money come from? I ask you who is going to pay for Headwaters Forest? Does Congressman Hamburg have a Swiss Bank account? Does he have a rich uncle?

I know my rich uncle, the one I have always counted on to provide me with just the basics like police protection, public schools, safe roads and social

security, and he has gone broke. He doesn't have the money to buy any more land. His days of grabbing land are over.

When you don't have money to pay the bills you already have, you quit shopping! You pay your bills and you try to save money for the future. You look at what you already have and try to decide if you really need something before you buy it.

Do we really need the Headwaters Forest. We already have 255,000 acres of Redwoods set aside. Do we really need to put the Pacific Lumber Company out of business? The largest employer in Humboldt County! Are we going to lay off thousands more people?

And if we do, how are we going to pay for it? Are we going to drive another nail into the coffin of the children of this country? This bill drastically effects not just the children of the forest families but all the children in Humboldt County every time private land is taken off the tax rolls.

The futures of our great, great grandchildren have already been mortgaged. How can anyone of the sponsors of this bill justify it? My God, our children are killing each other. Why? Because they see no future. They see no rising sun on the horizon. They are bleeding and crying out for help, and this is what the people in Washington are spending their future on. Why aren't we

trying to get a couple of billion dollars for education, for police protection or for AIDS research?

You people are not listening. You are letting all of the country down, not just the people of Humboldt County.

I beg of you, do not drive another nail into the coffin of our children's future. If you have \$2 billion to spend. Spend it on saving children. Fight drugs, crime, street wars. Do anything but hurt innocent hard working people.

Please look at the maps which I have brought. Let me show you the vastness of the government lands.



B.A.S.S. Inc.

Serving Anglers — Advancing Environmental Awareness

October 14, 1993

AL MILLS
ENVIRONMENTAL DIRECTOR

The Honorable Dan Hamburg
House of Representatives
114 Cannon Building
Washington, DC 20515

Dear Representative Hamburg,

The Bass Anglers Sportsman Society (B.A.S.S., Inc.) and its membership approaching 600,000 is fully supportive of H.R. 2866, the "Headwaters Forest Act," sponsored by Representative Hamburg et al. Although B.A.S.S. members are primarily interested in angling for and supporting the future well being of black bass, we all have an understanding and respect for healthy watersheds and the role they play in the future of our fisheries resources. Healthy streams and watersheds are particularly important where migratory (anadromous) species like coho salmon are involved.

We have a powerful testimony for the economics involved and the importance of protecting habitat for the future of our fisheries resources. Gamefish species like salmon and black bass are particularly sensitive. The public readily identifies with them and their "indicator role" in alerting us to the health of our watersheds and public waters. The fact that increasing numbers of species are threatened with extinction, or are often so contaminated with chemicals they can not be safely consumed by the public, is a national embarrassment.

We are only beginning to comprehend the long term costs the public will bear when species appear on endangered and threatened lists in the numbers we are beginning to see. H.R. 2866 provides an unusual opportunity to begin reversing the trend of mortgaging our future for the extremely short sighted motives so evident in timber and fisheries resource decisions we have witnessed over the past century.

Best wishes,

Alvin D. Mills
Environmental Director

AM/mc

cc: Paul Brouha
Stan Moberly

AMERICAN FISHING TACKLE MANUFACTURERS ASSOCIATION
SPORT FISHING INSTITUTE
TROUT UNLIMITED

October 26, 1993

The Honorable Dan Hamburg
U.S. House of Representatives
114 Cannon Building
Washington, DC 20515

Re: Support for H.R. 2866, The Headwaters Forest Act of 1993

Dear Representative Hamburg:

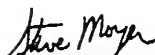
On behalf of the sport fishing industry and thousands of trout and salmon anglers, we are writing to support the bill you recently introduced, H.R. 2866, The Headwaters Forest Act of 1993. The bill would authorize the Forest Service to acquire and conserve 44,000 acres of prime headwater forest habitat in northern California, and to study an additional 13,620 acres for possible future acquisition and management. We commend you for your leadership in developing and introducing this legislation.


Our organizations are committed to protecting and restoring west coast Pacific salmon resources. These runs were once the finest salmon resources in the world. Now, according to the Clinton Administration's Forest Ecosystem Management Assessment Team (FEMAT) Report, over 100 stocks have been extirpated and 314 are at risk of extinction. Despite dramatic declines in Pacific salmon stocks, these fish still support a one billion dollar annual sport and commercial fishing industry. These valuable industries are threatened directly by continuing loss of salmon habitat. Conversely, if the region takes strong actions now, the entire nation stands to gain tremendous new ecological and economic benefits from restored salmon runs.

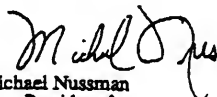
In that light, your bill is an important element in the foundation of Pacific salmon recovery. If enacted and implemented, it will protect some of the best remaining salmon habitat in California, and in the case of coho salmon, some of the most critical habitat on the entire west coast. Dr. Peter Moyle, renowned salmon scientist from University of California at Davis, has testified before two House Committees that H.R. 2666 would protect 5 to 10% of the remaining coho spawning habitat in California. Such a management action is essential in view of the 97% decline in wild coho in California.

Again, we commend you for your work on this bill, and we look forward to its early enactment.

Sincerely,


Steve Moyer
Director
Government Affairs
Trout Unlimited


Norville Prosser
Vice President
Sport Fishing Institute


Michael Nussman
Vice President for
Government Affairs
American Fishing Tackle
Manufacturers Association

TESTIMONY OF PETER B. MOYLE
UNIVERSITY OF CALIFORNIA, DAVIS

In support of the Headwaters Forest Act (H.R. 2866)

The Headwaters Forest Act will protect about 44,000 acres of forest in Humboldt County, California, which include the headwaters of the Elk River, Salmon Creek, and Yager Creek. In this testimony, I will address the importance of these creeks for the spawning of anadromous (sea-run) fishes, especially coho salmon.

Qualifications. I am Professor of Fisheries Biology at the University of California, Davis, where I have been on the faculty since 1972. For five years, I was Chair of the Department of Wildlife and Fisheries Biology. I am author of over 110 publications, mostly dealing with the biology and ecology of California's freshwater, anadromous, and estuarine fishes. Among my publications are four books and three book-length monographs, including Inland Fishes of California (a major reference work) and two widely used textbooks in fish biology. My fisheries team recently completed (for the California Department of Fish and Game) a four year study of the fishes of the Eel River drainage (which includes Yager Creek) and, under contract with the National Marine Service, a stream-by-stream analysis of the status of coho salmon in California. A peer-reviewed paper based on the coho study has been accepted for publication in the North American Journal of Fisheries Management, published by the American Fisheries Society.

Status of anadromous fish. My research has shown that all species of anadromous fish in California are in serious decline including fall, spring and winter run chinook salmon, coho salmon, summer and winter steelhead, coastal cutthroat trout, eulachon (candlefish), longfin smelt, green sturgeon, and Pacific lamprey. While many factors have been working together to create these declines, in coastal drainages the single biggest cause has been the deterioration of watersheds, resulting in the reduction of spawning and rearing habitat for anadromous fishes. An important contributor to watershed deterioration has been logging and road-building on steep slopes in headwater areas because sediment produced in these areas affects the entire drainage below the headwaters. The Headwaters Forest Act is aimed at protecting a key region containing some of the most critical parts of three drainages important to anadromous fishes. It is not a coincidence that the drainages in this area with intact headwater forests still contain significant populations of at least five species of anadromous fishes: coho salmon, chinook salmon, cutthroat trout, steelhead, and Pacific lamprey. In this testimony, I will confine my remarks to coho salmon because this is the species in most serious decline and seemingly the most dependent of the five species on mature (late successional) forests.

Coho salmon. Coho salmon thrive in stable, well-shaded drainages because their young spend their first year of life in streams. These young salmon live primarily in deep, cold pools close to the faster flowing areas that produce many of the insects they feed upon. These pools are typically created by the action of water around large logs, boulders, or stable banks. In drainages characterized by heavy logging and road building, young coho have poor survival because large logs are less available to create pools and what pools there are fill up with sediment faster than they can be scoured out by winter flows. Stable drainages also provide better habitat for the adult fish, which use the deep pools for refuges from predators and clean, coarse gravels for spawning.

The loss of stream habitats favorable to coho salmon in the past 50 years has led to their decline in Washington, Oregon, and California. This on-going decline has resulting the Pacific Rivers Council developing a petition to list coho salmon as a threatened species, which should be filed soon to the National Marine Fisheries Service. The decline of coho is particularly severe in California, the southernmost part of their range. The study of coho status by myself, Dr. Larry R. Brown, and Dr. Ronald M. Yoshiyama indicated that 50 years ago perhaps 200,000 wild coho entered California's streams to spawn, supporting both sport and commercial fisheries. Today we estimate that less than 5,000 wild coho still enter these same streams, a 97% decline. Because the decline has been evident for many years, hatcheries were built on a number of streams in an effort to bolster coho populations; there are about 30,000 hatchery-related coho returning each year as consequence. However, even the hatchery coho are in decline and the mixing of hatchery and wild stocks in some streams has probably contributed to the decline of wild stocks.

A better measure of the status of coho in California is the number of streams that still have spawning populations. We determined from old records that at least 540 coastal streams once contained coho populations. We estimate today that only about half of these streams still support runs of coho salmon and that many of the remaining runs are so small that their extinction in the near future is highly likely. These figures demonstrate the exceptional importance of the streams in the areas protected by the Headwaters Forest Act.

Coho in Headwaters streams. The streams in the Headwaters area include the headwaters of the north and south forks of Elk River and of Salmon Creek (both flowing directly in to Humboldt Bay) and the headwaters of Yager Creek (mainly Lawrence Creek and Shaw Creek), a major tributary of the Van Duzen River, which in turn flows into the lower Eel River. In recent years, most of the creeks have been surveyed for use by anadromous fishes by the California Department of Fish and Game and/or the California Conservation Corps (CCC). Their field notes have been made available to me.

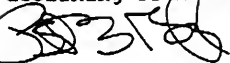
By present-day standards, the Elk River is an exceptional stream for coho salmon. This is because the channel in many areas

is in reasonably good condition, protected by having old growth redwood forest in the headwaters. Although exact numbers of spawning coho are not known for the Elk River, counts of redds, carcasses, and living fish indicate that the run probably averages at least 400 fish per year. For example, a CCC survey on 23 January 1991 (peak run time, in some of the best habitat) of 3 miles of the north fork of the Elk River counted 51 coho. A run of 400+ coho may not seem like much, but it could represent about 5% of all wild coho spawning in California!

Salmon Creek is a less productive stream of coho than the Elk River, presumably as a result of the cumulative effects of timber harvesting in the drainage. A trap set at the lower end of the drainage in recent years indicates an annual run of 15-25 fish. The persistence of this small run is most likely dependent of the protection of the headwaters, to reduce sedimentation and provide other habitat benefits.

Our knowledge of the Yager Creek drainage is limited in part because the Pacific Lumber Company denied my crew access to the drainage when we were doing our survey of the fishes of the Eel River system. Between 1988, 1991, 1992, and 1993, CCC crews did manage some cursory surveys of the drainage, particularly Lawrence Creek and Shaw Creek. Shaw Creek is a tributary to Lawrence Creek, with headwaters in old growth forest. The run size here is small, probably less than 20 coho per year, which is related both to conditions within the drainage (roads and logging) and to conditions outside the drainage (degradation of the Van Duzen and lower Eel rivers). However, the fact that the entire drainages of Lawrence and Shaw creeks, and that of much of Yager Creek, are within the proposed Headwaters Forest area means that stream restoration efforts are likely to be especially productive here - and stream restoration is the primary means by which coho populations are going to be recovered.

Conclusions. Streams in the Headwaters Forest area are important habitat for anadromous fishes, especially coho salmon. I estimate that 5-10% of the remaining wild coho salmon in California spawn in these drainages. One of the major reasons for this is seems to be that the headwaters of the streams are still mostly in reasonably good condition, especially those in old growth redwood forest. Protection of this area would have a significant positive effect on coho salmon populations, which are declining coastwide. H.R. 2866 provides an unusual opportunity protect and restore salmon and steelhead populations, and to help reverse the trend of ever-declining fisheries.



Peter B. Moyle
Professor of Fisheries
University of California, Davis
7 October 1993

MARBLED MURRELETS AND THE HEADWATERS FOREST, HUMBOLDT
COUNTY, CALIFORNIA

TESTIMONY SUBMITTED ON HOUSE BILL HR 2866

TO
THE HOUSE AGRICULTURAL SUBCOMMITTEE ON SPECIAL
CROPS AND NATURAL RESOURCES
AND
THE HOUSE NATURAL RESOURCES SUBCOMMITTEE ON NATIONAL
PARKS, FORESTS, AND PUBLIC LANDS

BY

S. KIM NELSON, RESEARCH WILDLIFE BIOLOGIST
OREGON COOPERATIVE WILDLIFE RESEARCH UNIT
OREGON STATE UNIVERSITY, NASH 104
CORVALLIS, OR 97331-3803

13 OCTOBER 1993

Executive Summary

The Marbled Murrelet (*Brachyramphus marmoratus*) was listed by the U.S. Fish and Wildlife Service as a threatened species in September 1992. Habitat loss, primarily from logging, was identified as the primary reason for the listing (Federal Register 50 CFR, Vol. 57:45, 328-345, 1 October 1992). In California, little old-growth and mature habitat remains within 25 miles of the coastline. Older-aged forests in close proximity to the coast are extremely important to murrelets; these forests may be their preferred nesting habitat. The Headwaters Forest in northern California is occupied by murrelets. The location and habitat characteristics of this Forest, coupled with the fact that little suitable habitat remains in the historic range of this species in California, make the acquisition and preservation of the Headwaters Forest key to the survival and recovery of the murrelet in California.

MARbled MURRELETS AND THE HEADWATERS FOREST, HUMBOLDT
COUNTY, CALIFORNIA (H.R. 2866)

Introduction

My name is S. Kim Nelson. I am a Faculty Research Wildlife Biologist employed with the Oregon Cooperative Wildlife Research Unit at Oregon State University. A copy of my CV is attached (Exhibit A). I lead the Marbled Murrelet research program in the State of Oregon. In addition, I am Chair of the Marbled Murrelet Technical Committee of the Pacific Seabird Group, a scientific society of Pacific seabird researchers. I am familiar with all the on-going research on Marbled Murrelets and with the researchers studying murrelets in California, Washington, British Columbia, and Alaska.

Species Status

The Marbled Murrelet (*Brachyramphus marmoratus*) was listed by the U.S. Fish and Wildlife Service as a threatened species in September 1992. Habitat loss, primarily from logging, was identified as the primary reason for the listing (Federal Register 50 CFR, Vol. 57:45, 328-345, 1 October 1992).

Current population estimates include 50,000-250,00 birds in Alaska (Mendenhall 1992), 20,000-45,000 birds in British Columbia (Rodway 1990), 5,000 in Washington (Speich et al. 1992), 2,000 in Oregon (Nelson et al. 1992), and 2,000 in California (Carter and Erickson 1992). The actual numbers of breeding birds will be lower because of the presence of non-breeders, which can comprise as much as 53% of some Alcid populations in a single year (Gaston 1992).

Historically murrelets were more abundant throughout their range. Populations in California are estimated to have declined as much as 90-95% in California in association with declines of older-aged forests (Paton and Ralph 1988, 1990; Carter and Erickson 1992). In Alaska and British Columbia, declines over the last 10-15 years have been estimated from 10-15% and 20-40%, respectively (K. Kuletz, pers. comm., Kelson et al. in press). Declines in Oregon and Washington may be similar to those in California based on a 90% reduction in suitable habitat (Morrison 1988), although no estimates have been proposed.

Breeding Biology

Many of the behaviors and life history patterns of Marbled Murrelets are similar to their close relatives (see Drent 1965, Sealy 1975, Harris and Birkhead 1985, Gaston 1992). Differences

between murrelets and other alcids include their choice of nesting sites and adaptations to avoid predation.

Murrelets lay a single egg on the flat surface of large moss or duff covered coniferous tree limbs. Nesting occurs between April and September. Eggs are incubated for 30 days, and chicks fledge after an additional 28-36 days (Hirsch et al. 1981, Nelson, 1991, 1992; Nelson and Hardin 1993a). Both adults participate in incubation on a 24-hour schedule. Exchanges occur before sunrise, in the cover of darkness or dawn. Adults enter the nest silently and rapidly in order to avoid detection by predators. When the chick hatches, adults brood it for one day; after that the chick is left alone on the nest. The chicks camouflage plumage is their only protection from predators, other than cover above and near the nest site. Adults make 1 to 3 trips a day (at dawn, dusk and mid-day) between ocean feeding areas and inland nesting sites to feed the chick (Nelson 1991, 1992; Nelson and Hardin 1993a). These birds fly approximately 50 mph on their trips to and from the ocean. Chicks pluck their feathers to reveal a distinctive black and white juvenile plumage 24-48 hours before leaving the nest. Chicks fly directly to the ocean from the nest site (Hamer and Cummins 1990).

Marbled Murrelets do not nest in dense colonies, however they nest primarily in loose aggregations in forest stands. Marbled Murrelets have high site fidelity; birds return to the same forest stand year after year (Nelson, unpublished data; S. Singer, T. Hamer, pers. comm.). Occupancy of forest stands may be historical in nature with young returning to the same stand where they hatched. High site fidelity and historical occupancy are common among seabirds in the Auk Family (puffins, murrelets, murres, auklets, etc.) (Nettleship and Birkhead 1985).

Longevity, survival and mortality rates are unknown. Age of first breeding is thought to be three years (Séaly 1975b). Recruitment rates are very low because they lay only one egg, and predation at nest sites is high. In addition, murrelets may not nest or be successful in nesting during years of poor food availability (e.g. during El Niño currents). The adult/juvenile ratios from counts along the central coast (Nelson and Hardin 1993b) indicate a recruitment rate of less than 5% each year between 1989 and 1992; low numbers of juveniles (1-5%) have also been documented in California and Alaska (C.J. Ralph; K. Kuletz, pers. comm.). Of 45 tree nests found before 1993, at least 73% failed to fledge a chick (see Threats section).

Habitat Selection

All data collected to date on this species substantiate their use and selection of older-aged forests (Paton and Ralph 1988, 1990; Nelson 1989, 1990; Hamer and Cummins 1990, 1991). In Oregon, Marbled Murrelets have been found to select old-growth and mature forests with an old-growth component (Nelson 1989,

1990). Habitat variables that are thought to be most important for this species, include old-growth trees, number of nesting platforms, cover above the nest limb, cover for protection against predation, and moss and mistletoe abundance (Nelson et al. in prep.).

Murrelets are more abundant closer to the coast than farther inland (Nelson 1990). The energetic demands on the birds to fly to habitat far from the coast are unknown, but a feasible hypothesis, based on the energetic requirements of other birds, is that murrelets that nest farther from the coast could be less successful than those in areas close to the coast. The distribution of birds along the coast has also been correlated with the distribution of habitat inland (Sowls et al. 1980, Carter and Erickson 1992, Nelson et al. 1992).

These birds have not been found in managed forests because these stands lack the structure and characteristics of forests that were created naturally. Stands that have been heavily managed (clear-cuts, shelterwoods, young and mature plantations) show no murrelet use.

Forty-five tree nests have been located and described (pre-1992). These tree nests were located in Alaska (N = 18) (Quinlan and Hughes 1990, Naslund et al., in press), British Columbia (N = 5) (Manley and Nelson, in press; Jordan and Hughes, in press), Washington (N = 5) (Hamer and Cummins 1990, 1991), Oregon (N = 10) (Nelson 1991, 1992; Nelson et al., in prep.), and California (N = 7) (Singer and Verardo 1975, Singer et al. 1991, 1992, S. Kerns, pers. comm.). All the nests south of Alaska were found in old-growth trees >35 in (>88 cm) in diameter at breast height and ≥50 ft (15 m) in height. Nests were on moss or duff covered limbs near the middle to the top 1/3 of the live crown. Canopy cover above the nest cup was high, perhaps for protection against predators and weather.

Although only 45 tree nests have been located, more than 400 occupied areas have been identified and mapped. Since nests are difficult to discover, occupied sites have been defined by murrelet biologists as nesting areas based on observations of murrelets flying through the canopy and landing in trees. All of these sites are in older-aged forests (old-growth forests or mature forests with an old-growth component).

Threats to the Species Survival

There are four primary threats to this species, including habitat loss, predation, oil spills and gill-net fishing (Marshall 1988). Here I address only the threats at inland sites.

Habitat loss throughout the murrelet's range has been identified as the most significant threat to the species long-term viability. Logging of older-aged forests not only creates loss of habitat for nesting, but also initiates cumulative

impacts such as isolation of subpopulations, habitat fragmentation, and edge effects. A comparison of historical information available on murrelet populations with current data suggests a decline in numbers, especially in portions of its range where logging has been extensive (Carter and Erickson 1992, Nelson et al. 1992). The number of older-aged forests available to murrelets is declining in number and is extremely limited in certain areas of the species range (Carter and Erickson 1992, Nelson et al. 1992).

Predation of murrelet nests has been occurring at what seem to be alarming rates (Nelson, unpubl. data). Seventy-three percent of murrelet nests have failed and 54% failed because of predation. Predators of murrelet nests include the Steller's Jay (*Cyanocitta stelleri*), Common Raven (*Corvus corax*), and Great-Horned Owl (*Bubo virginianus*) (Nelson 1991, 1992, Naslund et al. in press). Predation by these species (and Great-Horned Owls) is known to increase with the fragmentation of older-aged forests (Yahner and Scott 1988), and bird nesting success is lower in small forest fragments than larger intact forests because of predation and decreased fecundity (Ambuel and Temple 1983, Andren et al. 1985, Wilcove 1985, Temple and Cary 1988). Steller's Jays, Common Ravens, and Great-Horned Owls are edge species that become increasingly concentrated as edge is increased with the fragmentation of habitat (Yahner and Scott 1988). In addition, Corvids (jays, ravens and crows) are extremely intelligent predators that have refined search images for locating prey (Kilham 1989, Goodwin 1976, Zach 1979).

Habitat Management

Retention of older-aged forests throughout the historic range of the murrelet will be imperative for the short-term viability of the species (Report of the Scientific Analysis Team 1993). No matter how small and isolated, habitat on all lands will be important for recovery of the species within its historic range. Regrowing suitable habitat in areas where it no longer exists and growing buffers around existing small stands will also be key to the long-term viability of the species (Report of the Scientific Analysis Team 1993). Exact sizes of buffers and stands required by murrelets is unknown at this time. However, predation rates on bird nests were higher in edge habitat (within 15-100 m of the forest edge) compared to interior forest (Gates and Gysel 1978, Small and Hunter 1988), and were extreme in managed stands in basins that were more than 25% fragmented (Yahner and Scott 1988). Large, intact habitat blocks in unfragmented basins will provide optimal habitat for Marbled Murrelets.

There is evidence that alcids are poor colonizers. A breeding colony of the Atlantic Puffins (*Fratercula arctica*) was extirpated from Eastern Egg Rock, Maine, in 1887. Puffins from neighboring islands (within 20 mi) failed to re-establish the

colony despite the habitat being suitable. Re-colonization of the island only occurred with human intervention; puffins were reintroduced in 1981 by Kress and Nettleship (1988). The presence of birds at a breeding site may be important for colonization, if it is at all possible. Although young, non-breeding puffins often visited other colonies, once they reached breeding age the birds returned to their natal colony to reproduce, and visits to non-natal areas became almost nonexistent (Kress and Nettleship 1988). Similar behavior has been documented in Pigeon Guillemots (*Uria aalge*) (Halley and Harris 1992). Removing occupied murrelet habitat and expecting murrelets to move to adjacent areas is, therefore, highly unlikely given alcid site fidelity.

The effects of thinning or modifying occupied sites, or stands near occupied sites are unknown. However, the ability of murrelets to remain hidden will be the key to the successful fledging of young. Any opening of the canopy or increase in the amount of edge could have negative impacts of murrelet breeding success by increasing predator abundance (see discussion on Threats).

The complexity of older-aged forest ecosystems and the breeding biology of the murrelet will make it difficult to determine the effects of habitat modification on the species. Given their high site fidelity, they may return to a site that has been modified, but not breed successfully. In addition, birds may currently be occupying habitat that has become marginal through the cumulative impacts of fire, blowdown, and adjacent habitat modification. Their mere presence or occupancy at a site is not necessarily an indication that the site is preferred or optimal. Determination of optimal habitat can only be determined through intensive study of their reproductive success in relation to habitat characteristics (see Nelson and Hardin 1993).

The cumulative impacts of the threats to this species on the ocean and in the forest need to be considered in implementing management practices. A large number of birds in an area is not necessarily indicative of a healthy population. These birds are long lived (10-15 years) and the cumulative effects of threats on current population sizes may not be realized for 10 to 15 years. In addition, caution should be taken when interpreting and using results from studies conducted in other areas. For example, specific and detailed habitat characteristics in Oregon, such as canopy closure or stand size, may not be applicable to the redwood forest ecosystem of northern California.

The Importance of the Headwaters Forest to the California Population

The Headwaters Forest is of extreme importance to the Marbled Murrelet. Because suitable murrelet habitat has been reduced more than 90% in California (Carter and Erickson 1992),

all remaining suitable habitat in the state will be important for the survival and recovery of the species. The Headwaters Forest is occupied by murrelets and is located in close proximity to the coast. The lack of other suitable habitat in the area south and east of Eureka increase its importance. In addition, this forest, including the proposed wilderness and smaller old-growth blocks, represents one of the three remaining population centers in California. The other two include habitat in northern Humboldt County (Redwood National Park, Jedediah-Smith State Park, Humboldt-Redwoods State Park), and Santa Cruz County (Big Basin State Park). Other areas contain very few (Mendocino County) to no murrelets.

Given that populations are declining with the current amount of suitable habitat, further elimination of habitat could extirpate the species from California. No other Federal or State lands are available to this species, other than listed above. Private lands, therefore, will play a key role in the species survival and recovery in California (see the Report of the Forest Ecosystem Management Assessment Team (1993) regarding the importance of private lands to murrelets).

The preservation of this forest will also be important to other old-growth associated species, and will help to maintain a remnant of the older forest ecosystem that used to stretch across northern California.

Species should be maintained throughout their historic and natural ranges. Larger populations of murrelets in British Columbia and Alaska should not preclude preserving murrelet populations in California or elsewhere. Despite the larger numbers of murrelets in British Columbia and Alaska, evidence of population declines is evident in these areas as well (see discussion under Species Status). Currently there are no known stable populations of murrelets that could sustain the species in perpetuity.

Conclusion

The Marbled Murrelet is a threatened species. In California, little suitable habitat remains within the historic range of the species. The Headwaters Forest and other older-aged forests in northern California are important to the murrelet. The preservation of these rare forests will be key to the survival and recovery of this unique species.

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STATEMENT OF JIM OWENS
CAMPAIGN DIRECTOR, WESTERN ANCIENT FOREST CAMPAIGN
ON H.R. 2866, THE HEADWATERS FOREST ACT
SUBCOMMITTEE ON FORESTS, FAMILY FARMS, AND ENERGY
COMMITTEE ON AGRICULTURE
UNITED STATES HOUSE OF REPRESENTATIVES

SEPTEMBER 10, 1992

Chairman Volkmer and Members of the Committee:

My name is Jim Owens, I am the Campaign Director for the Western Ancient Forest Campaign, a grassroots organization representing thousands of forest activists in the states of Washington, Oregon and California.

I recently moved to Washington, D.C., from northern California, where I was actively involved as a volunteer in forest management reform for most of the past decade. Two years ago, as the Conservation Coordinator for the Smith River Alliance, I assisted Congressman Doug Bosco in his successful legislative effort to create the Smith River National Recreation Area in northern California. Mr. Bosco's Smith River National Recreation Area Act both protected several thousand acres of redwoods in Del Norte county, and created a series of zones in the National Recreation Area in which forest management is based upon the highest use of the zone, such as fisheries protection, recreation or timber production.

As a resident of Arcata, California, I participated as a volunteer in many attempts during the past four years to protect the Headwaters

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Forest in Humboldt County. I've had the opportunity to work with Congressman Bosco, Congressman Frank Riggs, Congressman Pete Stark and a number of local and state legislators and officials towards a resolution of the conflict surrounding the Headwaters Forest.

Mr. Chairman, this is an issue which must be resolved soon as I have testified in the past. In Humboldt County, the tensions within the small communities which have developed in the region during the past hundred-plus years have never been more divisive than they are today. Neighbors are pitted against neighbors, brothers argue with sisters, and school children draw lines in the sand over timber issues. As an environmental leader in Humboldt County I was constantly threatened by timber workers, and other environmental activists suffered serious injuries in an as yet unsolved car-bombing during a tense summer when timber issues were being hotly debated on California's northcoast.

During the past several years this Committee has been at the forefront in Congressional efforts to understand and resolve the ancient forest crisis. I have been a frequent spectator while all of you have posed serious questions to land managers, scientists and representatives of interest-groups, and I've been impressed with the

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sense of responsibility and resolve with which you have pursued this issue.

Your efforts to develop a scientifically based legislative approach to the ancient forest issue resulted in the recommendations by the Scientific Panel on Late-Successional Forest Ecosystems, a landmark study which has completely altered the course of the ancient forest debate, and which will ultimately be the basis for any legislation dealing with the ancient forest issue. Many people recognize the significance of the study, and of your efforts to go beyond the usual political approach to public land management problems.

The Headwaters Forest issue requires a similar effort by this Committee to deal with the merits of the issue, rather than the politics of the moment. Once again you are being asked to don Solomon's robes; I have no doubt you will answer this challenge with vigor and resolve. And I know that you will treat the parties in this case with fairness and respect.

Let me move to the facts of this matter. The Headwaters Forest is the largest unprotected block of virgin redwoods in the northern hemisphere. This forest, and the connected tracts of virgin and second growth redwoods comprising the core of the area recommended in

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H.R. 2866 for acquisition by the Six Rivers National Forest, are found in what scientists call the Klamath Province, a distinct bioregion which encompasses northwestern California and southwestern Oregon.

The forests of the Klamath Province are ecologically diverse and unique and contain more than 20 species of conifers, including coast redwoods. Scientists believe that these forests were central to the evolution of forests in the Western United States following the last ice age, when the region was a refugia for many of the tree species eliminated by ice sheets elsewhere.

In addition to the northern spotted owl and the marbled murrelet, these coniferous forests comprise critical habitat for hundreds of vertebrate species, rare plants and thousands of little-studied invertebrates. The ancient forests of this region contain more biomass than any other on Earth and as such store more carbon than any other terrestrial ecosystem.

A primary attribute of these forests is high quality water. Undisturbed forests of this type function like a sponge, intercepting precipitation, absorbing it and regulating its release while preventing the overland flow of water and erosion. The waters of this region's ancient forests historically supported abundant runs of anadromous

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fish, such as salmon and steelhead. After a century of intensive logging, all of these unique forest attributes are in jeopardy.

The area known as the Headwaters Forest, named for its location at the highest reaches of two tributaries to Humboldt Bay, covers approximately 44,000 acres of land, providing vital plant and wildlife habitat as well as virtually the only unpolluted fresh water to Humboldt Bay. The stand contains approximately 70 percent Coast Redwood (*Sequoia sempervirens*), 20 percent Douglas fir, grand fir and other softwoods, and 10 percent hardwoods. The watersheds affected by this bill rise from sea level to almost 3500 feet, and cover 112 square miles.

This is a region in which logging has ruled the landscape for over 130 years. These forests were first cut for fuel and to supply building materials for early mining ventures in northern California before statehood was enacted, and later helped rebuild San Francisco after the 1906 Earthquake.

This continuous harvest, greatly accelerated in the past few decades, has not been without cost to the landscape. Humboldt Bay, which once covered over 27,000 acres, has lost 10,000 acres to sedimentation caused by logging, roadbuilding and to reclamation for

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ranch land since the turn of the century. The sediment from upstream logging and roadbuilding which has filled in the Bay has eliminated salmon and steelhead runs in many of the creeks emptying into the estuary. Indeed, the world-famous anadromous fisheries which once were taken for granted in northern California are almost extinct, as is the fishing industry which until the last decade thrived in this area.

Salmon Creek and Little South Fork Elk River, whose waters originate in the Headwaters Forest, have not been untouched by the destructive effects of logging and roadbuilding. Both of these creeks have suffered considerable sedimentation from logging operations; the main channel of Little South Fork Elk River was clogged with over 30 cm. of silt following the completion by Pacific Lumber in 1989 of a 1.5 mile road cutting into the eastern bank of the Little South Fork. Subsequent logging operations by the Company removed nearly every large tree 100 feet above and below the road bed, some of which were taken from the streambed itself.

Trees in the Headwaters Forest are often over 300 feet tall, though 250 feet is a more average height. The largest tree found thus far in Headwaters Forest is over 2,000 years old and measures 18 feet in diameter, while trees 10 feet in diameter are not uncommon along

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the streams which sometimes run as far as 15 feet below the forest floor, covered and hidden by giant redwoods which have fallen during the past several hundred years.

The virgin redwood forests which H.R. 2866 would protect are separated from other ancient forest groves by over 25 miles in any direction. These forests and their riparian zones offer critical habitat and biological corridors for the rich and abundant wildlife and plantlife which thrives in these remaining core areas. They also offer the anchor for a unique watershed which stretches from the crest of the lower ridges of the Coast Range to the mouth of Salmon Creek, which is protected in its lower reaches by the Humboldt Bay National Wildlife Refuge.

Others today will tell you about the history of the redwood forests which were once owned by Pacific Lumber Company, and which were bought by the Maxxam Corporation. You will hear of junk-bonds, leveraged buyouts, doubled and tripled logging rates, sacrificed pensions, and communities whose economies and futures have been placed at risk by a company which has brought more strife than peace to a region where the timber-wars are a daily reality.

I'd like to quickly address the redwood resource which once

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covered over two million acres of the coastal landscapes between Southern Oregon and San Francisco Bay. These forests have been cut-over since white settlers first set foot in northern California. Of the original two million acres, less than five percent, or approximately 95,000 acres, remain uncut and unentered.

Redwood National Park and California State Parks contain approximately 76,000 acres of oldgrowth redwood forests, and the U.S. Forest Service controls approximately 6,000 acres of oldgrowth redwoods. Thus, 82,000 acres of ancient redwoods remain protected in public lands, a scant four percent of the original forest cover of this region.

I've had the privilege of frequently flying over northern California's forests, particularly over the redwood forests of the Northcoast. From 5,000 feet above the breakers of the Pacific Ocean, one can look into California's interior and see the region's heritage of logging - vast vistas of logged slopes, with a thin band of protected redwoods hugging the Coastal Highway between the Oregon Border and the Eel River. Little else remains of the vast virgin forests which once defined this region.

The Headwaters Forest, over which I have also flown, is one of

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the sole remaining viable ancient forest elements in the redwood belt which is both unentered, and unprotected. A timber cruise conducted by a registered professional forester and Humboldt State University students determined in 1990 that the monetary value of Headwaters Forest was under \$200 million. Biologists claim that as a watershed and habitat corridor, it is priceless.

The Headwaters Forest is the among California's four remaining habitats for the marbled murrelet, a rare sea bird which nests only in oldgrowth trees, and which has been proposed by the U.S. Fish and Wildlife Service for listing as a threatened species. The murrelet requires large, undisturbed coastal watersheds to evade predators, as well as dense canopied forests for nesting. Murrelets in the Headwaters Forest depend upon Humboldt Bay and the adjacent ocean coast for food, and are frequently found just offshore in large colonies.

According to U.S. Forest Service biologist C.J. Ralph, up to half of California's murrelet population might perish if Headwaters Forest is logged. Repeatedly the California State Board of Forestry has cited the need to retain murrelet habitat as its principal reason for denying Pacific Lumber timber harvest plans which proposed logging in the Headwaters Forest.

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I endorse Rep. Dan Hamburg's bill, and commend it to this Committee for favorable consideration. As it stands before this Committee, the bill would add all of Pacific Lumber Company's holdings to the nearby Six Rivers National Forest. Logging would continue on most of these lands, but would be controlled by a public agency governed by national environmental laws which do not affect private timber operators.

I am aware that the costs of acquiring Pacific Lumber's holdings are excessive in the present national economy, and have reviewed the compromise Headwaters legislation recently developed by Rep. Hamburg. The revised proposal, which sharply curtails the original legislation to a 44,000 acre ancient redwood ecological reserve along watershed boundaries, has value as a compromise, but needs further refinement in order to pass the high standards of biological credibility which this Committee has set for itself, and for Congress.

If this bill is to adequately take an ecosystem approach to forest management, this Committee would be wise to consider an extension of the Headwaters Forest downstream along Salmon Creek to the Humboldt Bay National Wildlife Refuge. This addition of 11,260 acres, currently held by four major landowners, would create a biological

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corridor running from the mountains to the sea. It would provide habitat for Roosevelt elk, black brant, replacement habitat for the marbled murrelet, and the opportunity to develop a wild salmon reserve.

Restoration activities in the Salmon Creek watershed would provide job opportunities for the hard-working communities adjacent to Humboldt Bay, and a renewed fishery in lower Humboldt Bay could bolster a fishing fleet and recreational fishery which is now scattered north and south, since commercial salmon fishing is banned along the Northcoast due to the scarcity of this once abundant resource.

Logging in the proposed Headwaters Forest will not stop with this bill. In fact, the people of Humboldt Bay will be well served by timber-managers who do not ship over 10 percent of their logs overseas, exporting jobs and livelihoods along with the raw materials of the region. Local communities will benefit from the receipts sent to the U.S. Treasury, and returned to the communities in payments for schools and county roads.

Finally, this is an opportunity for Congress to enact legislation which provides a win-win situation for the forests, and for the people living with the forests. Protecting these last few groves of privately

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held redwood forests has been a goal of the State of California and of local legislators since 1990. Governor Pete Wilson has repeatedly acknowledged the need to purchase these groves, and Senator Barry Keene and Assemblyman Dan Hauser have worked assiduously to develop a workable plan to pay market price for these lands before Maxxam destroys them for the corporation's next interest payment.

There are problems to overcome before this legislation is perfected, and prime among those problems is the compensation of the landowners, and the recognition of inholder rights. I have worked with the Six Rivers National Forest before, on many of these same issues, and know that this is an issue which Congress, and the agencies, will address before this bill is considered by the full House.

United States
Department of
Agriculture

Forest
Service

Pacific
Southwest
Region

Regional Office
630 Sansome Street
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Reply To: 5410

Date: September 13, 1993

Subject: The Pacific Lumber Company
Appraisal of the Headwaters Forest

To: Regional Forester

APPRAISAL REVIEW

A narrative appraisal report dated January 1, 1993, was prepared by James E. Fleming for a 4,488-acre property located in the redwood-producing region of northwestern California. Owned by The Pacific Lumber Company, the property contains 2,738 acres of old-growth forest, including the largest tract of virgin, old-growth redwood timber in private ownership. The heavily timbered tract is known as the Headwaters Forest because of its location at the headwaters of the Salmon Creek and Little South Fork of Elk River watershed drainages. The purpose of the appraisal was to estimate the fair market value of the property. Jim Fleming, the appraiser, holds the MAI designation with the Appraisal Institute and is a Registered Professional Forester (RPF) in the State of California. A summary of the property appraised is as follows:

APPRAISAL SUMMARY

Property size	-	4,488 acres
Net timber volume	-	610.7 million board feet
Improvements	-	Bridge/existing roads
Estate appraised	-	Fee simple
Highest and Best Use	-	Timber harvest
Outstanding rights	-	One-half mineral rights
Reservations	-	Roads, rock quarry
Market value estimate	-	\$499,000,000
Date of valuation	-	January 1, 1993

Scope of Review - My review of the appraisal was based on the data and information contained within the report, discussions with real estate appraisers and foresters, and a general knowledge of the subject property and market area. I also visited the property as a part of this review.

Property Data - The property is a single 4,488 acre tract located about four air miles northeast of the community of Fortuna and about 12 air miles southeast of Eureka, the Humboldt County seat. The property is about 12 miles from Humboldt Bay and the Pacific Ocean and about 10 miles due north of The Avenue of the Giants along Highway 101 in Humboldt Redwoods State Park. Access from Highway 101 is over a good quality, gravel-surfaced road beginning at the end of a county maintained road near Fortuna. The road is owned by The Pacific Lumber Company. A fairly well developed network of logging roads provide

Headwaters Forest Appraisal Review - Page 2

internal access to the southern sector of the property that has been logged. However, the area north of Salmon Creek is mostly roadless. Topographic features of the property are dominated by a series of ridges with gentle to moderately steep terrain, with areas of steep terrain along some draws and portions of Salmon Creek. Elevation ranges from about 650 to 2,100 feet above sea level. Although some rock outcroppings are present, soils are fairly deep with good to excellent timber growing capabilities. The property is classified by general timber stand types, with average timber volume in thousands of board feet (MBF) per acre, as follows:

<u>Stand Type</u>	<u>Area</u>	<u>Volume/acre</u>
Uncut Old-growth	2,738 ac.	214.5 MBF
Residual & Uncut Young-growth	434 ac.	51.9 "
Clearcut Units	1,313 ac.	0.6 "
Grass	3 ac.	n/a
Total	4,488 ac.	136.1 MBF

Improvements include only a small bridge across Salmon Creek and a network of existing logging roads; there are no power or telephone utilities. The Pacific Lumber Company will reserve an easement over the main haul road across the southern part of the tract to maintain access to their lands south and east of the Headwaters Tract. Rock to be used for surfacing company-owned roads will be reserved from an existing rock quarry. Outstanding rights include one-half of the mineral rights reserved by the prior owner.

Net Merchantable Timber - The property contains a substantial number of old-growth redwood and Douglas-fir trees, as well as minor amounts of grand fir and hemlock. Total merchantable timber volume is 610.7 million board feet, net short-log Scribner scale, with old-growth timber accounting for over 97% of the volume. The timber volume was determined from an inventory (cruise) conducted in 1992 by Hammon, Jensen, Wallen & Associates (HJW), an Oakland, California, based forestry and mapping consulting firm. A total of 1,094 plots were measured, or about 5% of the land area; the standard error of the gross volume estimate was plus or minus 3.8% at a 95% confidence level. The total land area of the property was calculated to be 4,488 acres as measured by the firm's ARC/INFO Geographic Information System. Based on the cruise conducted by HJW, the timber stands on the property were stratified in numerous stand types depending on species composition, age, and density. Net merchantable timber volume in million board feet is summarized by species and age class as follows:

<u>Timber Species</u>	<u>Volume</u>	<u>Percent</u>
Old-growth redwood	457,784 MBF	75.0
Young-growth redwood	5,757 "	0.9
Old-growth Douglas-fir	137,496 "	22.5
Young-growth Douglas-fir	6,134 "	1.0
Grand fir and hemlock	3,482 "	0.6
Total	610,653 MBF	100.0

Loggable Timber - The appraiser recognized that not all of the net merchantable timber volume could be harvested because of State requirements for protection of streams and other watercourses and wildlife habitat, including the northern spotted owl and marbled murrelet. Based on a survey of the Class I and II streamside zones within the property, the appraiser concluded that 16,488 MBF of merchantable timber would not be available for harvest. In addition, 2,361

Headwaters Forest Appraisal Review - Page 3

MBF of volume was needed for wildlife protection purposes, for a total "leave or deferred" volume of 18,849 MBF. This "leave or deferred" tree volume was deducted from the net merchantable timber leaving a loggable timber component, summarized as follows:

<u>Timber Species</u>	<u>Volume</u>	<u>Percent</u>
Old-growth redwood	442,772 MBF	74.8
Young-growth redwood	3,929 "	0.7
Old-growth Douglas-fir	136,184 "	23.0
Young-growth Douglas-fir	5,873 "	1.0
Grand fir and hemlock	3,046 "	0.5
Total	591,804 MBF	100.0

In addition to sawlogs, an estimate was made for merchantable cull log volume consisting of two categories of material, special cull logs and utility logs. These logs are also referred to as cull peelers and chip culls. Merchantable volume for this material was estimated to be 14,879 MBF, of which 12,638 MBF was considered loggable.

Highest and Best Use - The property is zoned by Humboldt County as Timber Production Zone (TPZ). The primary use allowed by this zoning classification is forest management; minimum parcel size is 160 acres. Current use is forest management. The appraiser concluded that the highest and best use would be for growth and harvest of sawlogs, wood fiber and other timber products.

VALUATION

The appraiser's methodology for arriving at a market value was to first divide the property into its two basic parts - the loggable timber component and the land component, including all of the remaining trees. These components were appraised separately by the sales comparison approach, then combined into a single estimate of value for the whole property. The appraiser concluded that the income capitalization and cost approaches were not suited for the valuation of timberland, although variations of the approaches are sometimes used as a check of the sales comparison approach. Units of comparison were value per acre and value per MBF of timber.

Loggable Timber - Two appraisal approaches were used to develop value estimates for the loggable timber, the delivered log or pond approach and the sales comparison approach. By the delivered log approach, log prices (quotations as well as contract rates) were obtained from local mills, log buyers and forest managers. From this market data, the appraiser estimated delivered log values per MBF for old-growth and young-growth timber by species. Values on the stump were then estimated by deducting all logging and road building costs, allowances for overhead and supervision, preparation of State-required timber harvest plans (THP), and other related activities, including wildlife studies for northern spotted owl and marbled murrelet. Also deducted were State yield taxes. Cost estimates were obtained from local log buyers and forest managers familiar with market conditions in the region.

By the sales comparison approach, timber values were developed by comparison to seven Six Rivers National Forest and Jackson State Forest stumpage sales and two property sales with fairly substantial volumes of old-growth Douglas-fir. None of the stumpage sales, however, included old-growth redwood since local

Headwaters Forest Appraisal Review - Page 4

public agencies have not sold old-growth redwood since 1989. No private stumpage sales were found since landowners prefer to sell logs delivered to the mill rather than "on the stump." The sales were used to develop value estimates for old-growth and young-growth Douglas-fir, young-growth redwood, grand fir and hemlock. The sales, which all occurred between January and November 1992, were adjusted for time, to reflect change in indices from appraisal date to contract date, and dollar differences in logging, road, and sale preparation costs, log quality, and yield taxes. The stumpage values were then correlated with those obtained by the delivered log method, resulting in value estimates by species, including special culls and utility logs, summarized as follows:

<u>Species</u>	<u>MBF</u>	<u>\$/MBF</u>	<u>Contributory Value</u>
Old-growth redwood	442,772	\$850	\$376,356,200
Young-growth redwood	3,929	595	2,337,755
Old-growth Douglas-fir	136,184	830	113,032,720
Young-growth Douglas-fir	5,873	450	2,642,850
Grand fir & hemlock	<u>3,046</u>	260	<u>791,960</u>
Sub-Total	591,804		\$495,161,485

<u>Culls & Utility Logs</u>	<u>MBF</u>	<u>\$/MBF</u>	<u>Contributory Value</u>
Old-growth redwood	2,420	\$265	\$641,300
Young-growth redwood	2,339	115	268,985
Old-growth Douglas-fir	<u>7,879</u>	40	<u>315,160</u>
Sub-Total	12,638		\$1,225,445

The contributory value of the loggable timber component was then estimated to be \$496,386,930.

Land and Remaining Trees - To value the land component, the appraiser selected five recent timberland transactions for comparison to the appraised property as if cutover. These properties varied in size from 433 to 1,783 acres and sold between June 1990 and July 1992; selling prices varied from \$421 to \$4,966 per acre. All are located in Humboldt County and have similar potential to grow future crops of redwood trees. Elements of comparison were time, size, terrain, access, timber resource, timber site and highest and best use. The comparable sales were all cutover, but the remaining timber varied from heavily cutover to fairly well-stocked stands of young-growth redwood and Douglas-fir trees, as well as a limited volume of residual old-growth redwood. Four of the transactions were cash sales; the fifth sold with terms considered equivalent to cash.

The land component was appraised as if cutover, but with 18,849 MBF of merchantable timber in trees with a dbh (diameter breast high) of 7 inches and larger. This was an average of 4.2 MBF per acre, with 80% in old-growth redwood, 10% in young-growth redwood, 7% in old-growth Douglas-fir and the remainder in young-growth Douglas-fir, grand fir and hemlock trees. The timberland sales were compared to the subject properties and adjusted for factors that were identified as affecting value. After adjusting the sales, the values ranged from \$575 to \$640 per acre, with a midpoint of \$607.50 and an average of \$614. With the elimination of the least comparable sale, the remaining four suggested a value near \$625 per acre. Based on this analysis, a value of \$625 per acre was estimated for the land and remaining trees, or \$2,805,000 for the 4,488-acre property.

Reconciliation To Total Property Value - The sum of the value components, loggable timber and land with remaining trees, suggested the following total value for the property:

<u>Value Component</u>	<u>Contributory Value</u>
Loggable Timber	\$496,386,930
Land & Remaining Trees	<u>2,805,000</u>
Total Property Value	\$499,191,930

In his reconciliation and final value estimate, the appraiser recognized that consideration must be given to the period of time that would be required to harvest the timber, in this case, 12 to 16 years. He noted, however, that the desirability of a reliable supply of high quality, old-growth redwood and Douglas-fir timber and the anticipation of future price increases, among other things, tended to offset the affects of time on the overall property value. The appraiser, therefore, concluded that the market property value of the 4,488-acre Headwaters Forest property was \$499,000,000, as of January 1, 1993.

REVIEWER'S COMMENTS

The appraisal report provided a well-supported market value estimate for the Headwaters Forest property. The market was thoroughly researched, and a wide array of relevant data and market evidence was collected, analyzed and evaluated by the appraiser in the development of the value estimate. The report was well written and thorough. The many charts included in the appraisal were very helpful in following and understanding the appraiser's valuation processes and methodology.

CONCLUSION

The market value estimate was adequately supported by the market evidence presented in the report and the appraiser's analysis of the data. The appraiser used appropriate appraisal methods and techniques to develop a supportable and reasonable conclusion of market value. In my opinion, the appraisal meets Agency standards. It also meets the requirements of the Uniform Appraisal Standards for Federal Land Acquisition, 1992, and the Uniform Standards of Professional Appraisal Practice (USPAP).

Based on the findings of my review, I approve the January 1, 1993, appraisal report with a market value estimate of \$499,000,000 for the 4,488-acre Headwaters Forest property.

Ronald B. Cecchi
Regional Appraiser

Date

REVIEWER ASSUMPTIONS AND LIMITING CONDITIONS

1. The Appraisal Review memorandum attached is based on information and data contained in the appraisal report which is the subject of the review. Data and information from other sources may be considered. If so, they are identified and noted as such.
2. It is assumed that such data and information are factual and accurate.
3. The reviewer reserves the right to consider any new or additional data or information which may subsequently become available.
4. Unless otherwise stated, all assumptions and limiting conditions contained in the appraisal report, which is the subject of this appraisal review, are also conditions of this review.

REVIEWER CERTIFICATION

I certify that, to the best of my knowledge and belief:

1. The facts and data reported by the review appraiser and used in the review process are true and accurate.
2. The analyses, opinions, and conclusions in this review report are limited only by the assumptions and limiting conditions stated in this review report, and are my personal, unbiased professional analyses, opinions, and conclusions.
3. I have no present or prospective interest in the property that is the subject of this report and I have no personal interest bias with respect to the parties involved.
4. My compensation is not contingent on an action or event resulting from the analyses, opinions, or conclusions in, or the use of, this review report.
5. My analyses, opinions, and conclusions were developed and this review report was prepared in conformity with the Uniform Standards of Professional Appraisal Practice.
6. I personally inspected the subject property of the report under review.
7. No one provided significant professional assistance to the person signing this review.

RONALD B. CECCHI
Regional Appraiser

Date

October 19 1993

UNITED STATES DEPARTMENT OF COMMERCE
NATIONAL OCEANIC AND ATMOSPHERIC ADMINISTRATION
NATIONAL MARINE FISHERIES SERVICE

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PETITION TO THE NATIONAL MARINE FISHERIES SERVICE
FOR A RULE TO LIST, FOR DESIGNATION OF CRITICAL HABITAT, AND FOR A STATUS
REVIEW OF COHO SALMON (*Oncorhynchus kisutch*) THROUGHOUT ITS RANGE IN
WASHINGTON, OREGON, IDAHO, AND CALIFORNIA UNDER THE ENDANGERED SPECIES
ACT

Pacific Rivers Council, Inc.)	PETITION FOR A RULE TO LIST,
Western Division, American Fisheries Society (AFS))	FOR DESIGNATION OF CRITICAL
The Wilderness Society)	HABITAT, AND FOR A STATUS
Sierra Club)	REVIEW OF COHO SALMON
National Audubon Society)	THROUGHOUT ITS RANGE UNDER
Leo Cronin, The California Council)	THE ENDANGERED SPECIES ACT
for Trout Unlimited)	
National Wildlife Federation)	
Siskiyou Regional Education Project)	
Tenmile Creek Association)	
Oregon Natural Resources Council)	
Western Ancient Forest Campaign)	
Northcoast Environmental Center)	
Coast Range Association)	
Siskiyou Audubon Society)	
Pilchuck Audubon Society)	
Mt. Shasta Area Audubon Society)	
Friends of the River)	
Coast Action Group)	
Marble Mountain Audubon)	
Klamath Forest Alliance)	
Friends of the Garcia River)	
Mendocino Environmental Center)	
Friends of the Navarro Watershed)	

The Pacific Rivers Council, Inc., Western Division of the American Fisheries Society (AFS), The Wilderness Society, Sierra Club, National Audubon Society, Leo Cronin of The California Council for Trout Unlimited, National Wildlife Federation, Siskiyou Regional Education Project, Tenmile Creek Association, Oregon Natural Resources Council, Western Ancient Forest Campaign, Northcoast Environmental Center, Coast Range Association, Siskiyou Audubon Society, Pilchuck Audubon Society, Mt. Shasta Area Audubon Society, Friends of the River, Coast Action Group, Marble Mountain Audubon, Klamath Forest Alliance, Friends of the Garcia River, Mendocino Environmental Center, and Friends of the Navarro Watershed hereby petition for listing as threatened or endangered, for designation of critical habitat, and for a status review of coho salmon throughout its range under the Endangered Species Act, 16 U.S.C. §§ 1531 *et. seq.* This petition is filed under 50 C.F.R. § 424.14.

Above petitioners are environmental, conservation and sport fishery organizations with thousands of members throughout the Pacific Northwest. The conservation, ecological, aesthetic and recreational interests of petitioner organizations' members will be adversely affected if the requested petition is not granted.

**SUMMARY AND HIGHLIGHTS: ENDANGERED SPECIES PETITION FOR COHO SALMON
PACIFIC RIVERS COUNCIL**

SUMMARY: A number of factors, most notably the destruction of habitat and mismanagement of fisheries, has put the coho (silver) salmon at risk of extinction throughout its range in the lower 48 states. This is not just an ecological tragedy -- in addition it represents billions of dollars of lost revenue to the people of the Pacific Northwest, and creates significant social and cultural losses. As such, the steps required for the recovery of the region's once abundant and famous coho salmon runs do not involve issues of "jobs vs. the environment," but rather some short-term sacrifices for long-term economic gain. Some localized economic impacts may occur in order to recover the coho, but much more has already been lost economically and much more is at stake unless recovery actions are rapidly put into place. Since past efforts to protect or recover coho have failed, and since current regulation and conservation efforts remain inadequate, the last viable option to stop the hemorrhaging, so that a process to recover the coho salmon and their ecosystems can begin, is to secure protection under the Endangered Species Act.

Nehlsen et al., in the seminal article entitled Pacific Salmon at the Crossroads (1991), identified 35 stocks of coho salmon at risk of near-term extinction in Washington, Oregon, and California. The authors identified habitat loss and adverse interactions with hatchery production as important contributors to these declines. An additional 15 stocks of coho from California, southern Oregon, and the Columbia Basin were documented to be already extinct. Frissell (1993) mapped coho salmon and estimated that the species is extinct in the eastern half of its range, and imperiled throughout the southern two-thirds of its range in the lower 48 states. By other similar estimates coho salmon populations are extinct in about 55.5% of their historic range in the lower 48 states, endangered in about 13% of their range, threatened in about 20%, and of special concern in 5% of their historic range. Coho populations not known to be extinct, declining, depressed, or facing imminent threat comprise just 6.5% of this historic range, all located in northwest Washington.

As recently as the 1970s, coho salmon supported a direct income stream to commercial fishermen of \$60 to \$70 million dollars a year. This is the direct value, with no multipliers, indirect or induced effects. The indirect economic importance of the coho salmon commercial fishery on the coastal economy was even larger, in all the gear, boats, supplies, fuel, housing, and all the other infrastructure required in the salmon fishery. As with other salmon species, the value in the recreational fishery adds a significantly larger amount. The recreational angler is willing to spend a great deal more per fish than the commercial angler, and in that sense, each coho salmon caught recreationally contributes more to the regional economy than the commercial fish. The recreational fishery and associated tourism industry is highly significant.

It is only reasonable to conclude -- very conservatively -- that efforts to return the coho fishery to even 1970 levels in Northern California, Oregon and Washington would produce a direct income stream to the region averaging well in excess of \$100 million a year.

The economic loss to many parts of the coast has been substantial. In poor years the income stream to the troll fishery has been reduced to less than \$200,000 for California or Oregon, and, under current conditions, the commercial catch over wide reaches is zero. The net economic impact of the demise of coho salmon has been substantial and persistent -- roughly \$1 billion a decade. As the loss of the coho is primarily attributed to habitat destruction, the region has essentially been favoring one kind of economic activity -- extractive industries -- over another involving the fishery. As such, the issue is not "jobs vs. the environment," but jobs vs. jobs, or, said

differently, short-term profits versus the long-term sustainable economic benefits that the coho fishery could provide.

LOSS OF HABITAT

The long-term decline of coho salmon populations is highly correlated with deterioration of freshwater habitat caused by human disturbances. Coho are especially vulnerable to loss or degradation of spawning, summer rearing, and winter rearing habitats. Loss of woody debris and habitat complexity in estuaries may reduce survival of outmigrating smolts and winter migrants. Coho habitat is lost when large woody debris and the stable, complex channels and wetlands associated with floodplain forests are damaged or destroyed by logging, grazing, channelization, cropland agriculture, or urbanization. Flow diversion for irrigation and hydropower generation pose serious problems for coho salmon in many areas. Sedimentation, debris flows, and increases in stream temperature often result from disturbance of headwater areas by logging roads and timber harvest, and these impacts alone may be sufficient to damage or destroy coho populations even where riparian buffer zones are left along fish-bearing streams. Habitat loss and the simplification of river ecosystems appears to be the most fundamental and universal factor underlying coho depletions regionwide.

HATCHERIES

In general, there are very few (if any) examples of hatchery programs that led to successful re-building of wild populations of Pacific salmon within their native range. When successful in terms of producing hatchery fish, hatchery breeding tends to reduce, rather than increase, diversity of wild populations. The capture of fish for breeding purposes can be destructive of small or declining wild populations. Due to small broodstock populations, prespawning mortality during capture or transport, unnatural mating combinations, disease, or artificial selection, wild brood stock typically contribute little genetic diversity to subsequent generations of hatchery fish. The taking of larger numbers of wild fish for broodstock in an attempt to overcome these problems in hatchery stocks merely increases the risks for wild populations.

Large or repeated introductions of hatchery fish pose additional risks for wild fish. Introduction of hatchery fish can adversely affect wild fish through competition for food and space, disease transfer, attracting predators, competition for mates, interbreeding, and other processes. Poorly adapted characteristics may persist in the population, particularly where wild population densities are low or habitat has been altered.

ADVERSE OCEAN CONDITIONS

Ocean conditions have generally been deteriorating for coho in the lower 48 states during the past two decades, and there is little indication this situation will reverse. Most variation in ocean mortality apparently occurs during the first few weeks of life so that near-shore conditions during late spring and early summer along the coasts of Washington, Oregon, and California dramatically affect the number of young coho of that year that survive the first few weeks. Coho along the Oregon and California coasts may be especially sensitive to the upwelling of cold nutrient rich currents from the deep ocean, because these regions lack extensive bays, straits, and estuaries to buffer oceanographic effects.

OVERFISHING

Overfishing is often cited as a principle factor causing decline of salmon runs. However, there are few historical or recent records to indicate that curtailment of fishing has lead to increased spawning abundance of coho salmon. For example, curtailment of fishing seasons has been thought to have reduced harvest-related mortality rates on Oregon coastal coho substantially during the past decade. However, there has been no evidence of increased spawner escapement during this period, suggesting that fishing curtailment is at best merely keeping pace with rapid habitat deterioration and declining productivity of coho populations. In other words, environmental change is driving sustainable harvest rates downward as fast as, or perhaps faster, than catch has been reduced.

Current methods of forecasting and in-season adjustment of fishing are insufficient to ensure sustainable harvest rates and wild fish escapement. Greater factors of safety for escapement targets and improved indicators of freshwater and marine survival will be necessary.

THE NEED FOR ESA PROTECTION

The only sustained regulatory attempt to protect coho salmon has been increasing restriction of the fishery. This approach has failed. Indeed, the historical record shows a dismal pattern of failure -- and the situation is no better today. Wild coho salmon are poorly protected by existing regulatory mechanisms because coho:

- 1) are managed in a complex and most often conflicting and ineffective regulatory landscape of local, state and federal laws that govern this fish's freshwater and marine habitats separately;
- 2) represent an economic resource to the commercial fishing industry, native American tribes and the recreation industry and management is frequently driven by attempts to maximize short-term economic return, and;
- 3) are not as visible or widely monitored or studied as terrestrial species or marine mammals and, as a result, do not receive the attention required to gain protection under a variety of federal and state water and environmental quality laws.

Furthermore, hatchery production of coho salmon exacerbates each of these problems by:

- 1) temporarily masking the decline in wild coho and the degradation of their freshwater habitats;
- 2) increasing competition for potentially limited freshwater and ocean resources, and;
- 3) contributing to the genetic dilution and loss of naturally occurring, wild coho.

A few attempts have been made to mobilize efforts for recovery, again with little effect. The Northwest Power Planning Council was created in 1980, in part to recover all salmonids within the Columbia basin. However, as the recent listings of sockeye salmon and others indicates, to date this attempt has failed. Oregon Governor Barbara Roberts held a coastal summit in December 1992 that eventually led to some general conceptual agreements and movement towards some funding in the state legislature, but as of yet nothing has actually hit the ground in terms of specific recovery actions.

President Clinton has proposed a strategy that could provide protection and possibly restoration for coho habitat on federal lands. However, the future of the so-called "Option 9" proposal remains uncertain, and, if implemented, it would not address private land river ecosystems or coho habitat. It could provide the basic federal land habitat protection and restoration strategy required for coho, however.

SIERRA CLUB



730 Polk Street San Francisco, CA 94109 415-776-2211 Fax: 415-776-0350

Carl Pope
Executive Director

June 25, 1993

The Honorable Dan Hamburg
United States House of Representatives
Washington, DC 20515

Dear Congressman Hamburg:

Sierra Club is pleased to support passage of the Headwaters
Redwood Forest Act.

The redwood forest is one of the defining natural wonders of California and the United States both for our own citizens and for people around the world. This legislation's protection for these remaining pristine groves and the provision for restoring the connection between them is the only way to ensure that this heritage forest will continue to exist as a living environment in perpetuity.

On behalf of 175,000 members in California and the 377,600 additional members nationwide Sierra Club congratulates and applauds Congressman Dan Hamburg and Congressman Fourtney "Pete" Stark for sponsoring the Headwaters Redwood Forest Act. We look forward to working for its passage.

Sincerely,

A handwritten signature in dark ink, appearing to read "Carl Pope".

Carl Pope
Executive Director

CP:dpn

Statement of Bonnie Raitt

**Committee on Agriculture
Sub-Committee on Specialty Crops and Natural Resources**

October 13, 1993

Good Morning Mr. Chairman and Members of the Committee. I have come here today to respectfully urge your support for the Headwaters Forest Act proposed by Congressmen Dan Hamburg and Pete Stark from my family's district in Northern California.

Time is running out for us to preserve what little remains of the ancient growth redwoods which have such an important part of our area's economic and environmental survival. I've been returning to these majestic groves for spiritual and creative inspiration for as long as I can remember, and I know I speak for the millions of travelers and residents who would be as horrified as I am to find out just how many acres of their beloved forest have been sacrificed in the name of Maxxam corporation's need for junk bond interest payments.

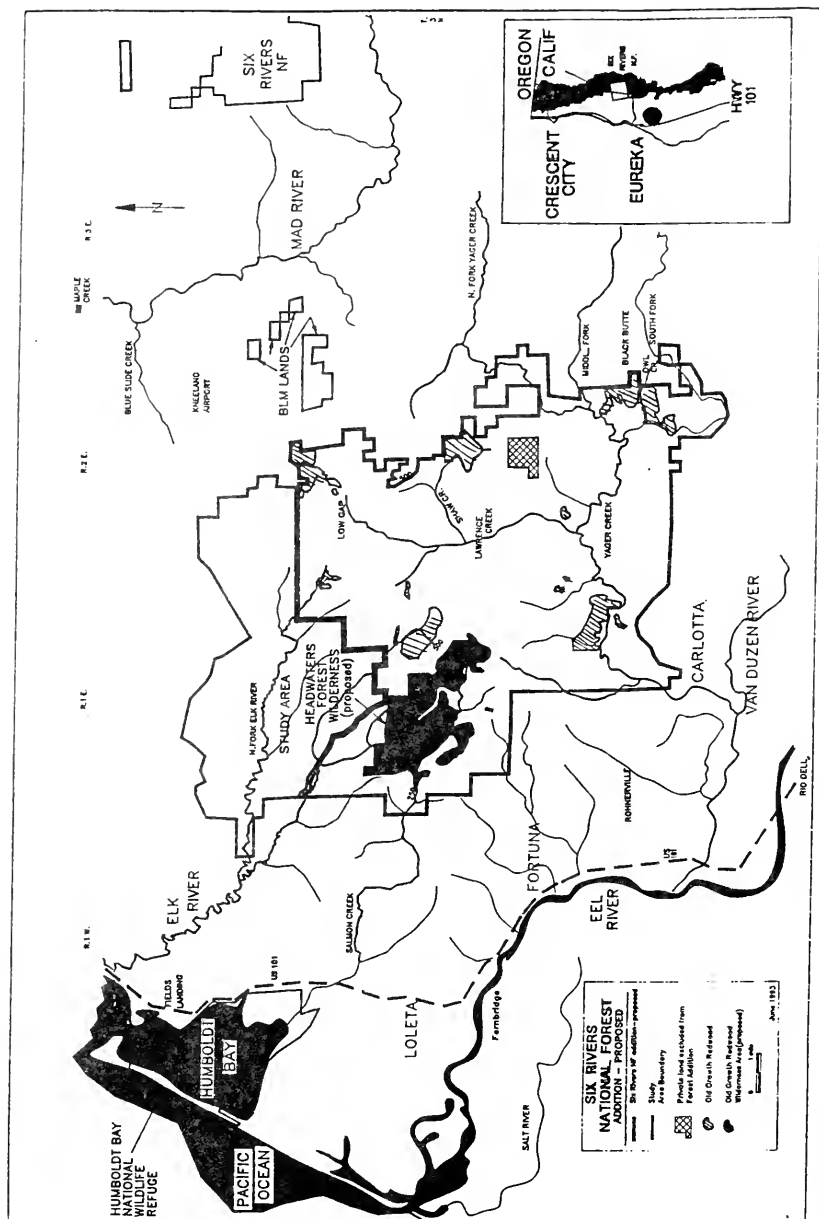
I've been brought to tears of fury and grief after flying over miles of mutilated clear-cut mountains where, in a cruel charade, only a hundred yards of trees have been left standing along the highway so as not to alarm the tourists driving by. In the years since Maxxam's takeover of Pacific Lumber's territory in 1986, I have personally seen our community's economy and morale decline to a heartbreaking degree. With little regard for fragile ecosystems or long-term repercussions, MAXXAM's years of aggressive timber management threaten what little is left of pristine habitat.

Soon the old-growth logging mills will be closed down, costing forests and surrounding businesses, including tourism, thousands of jobs--all because of the lack of a sustainable long-term policy that could have saved the counties from their current downhill plunge. More and more, the environmentalists and loggers are seeing the issue from the same side--not just some symbolic preservation of a few endangered creatures and parklands, but the very survival of the region as a whole.

As today's testimony shows, so-called private stewardship of this irreplaceable national resource has been disastrous. To save 3.5 % of the ancient forest that once was, is not, as Charles Hurwitz says, "enough". Once these ancient trees and the miraculous microcosm of life and history they represent are gone, they are gone forever.

What right have we to let this magnificent and absolutely unique link to our past and future be eradicated by the shortsighted greed and mismanagement of a few? This bill is what responsible forest policy is all about. Please enact it now.

Thank you.



FOR HEADWATERS FOREST ACT (H.R. 2866)

**COMMENTS SUBMITTED FOR CONSIDERATION
RELATIVE TO
MARBLED MURRELET POPULATIONS IN NORTHERN CALIFORNIA**

TO

**THE HOUSE AGRICULTURE SUBCOMMITTEE ON SPECIAL
CROPS AND NATURAL RESOURCES**

AND

**THE HOUSE NATURAL RESOURCE SUBCOMMITTEE ON NATIONAL PARKS,
FORESTS, AND PUBLIC LANDS**

BY

**STEVEN M. SPEICH, RESEARCH ECOLOGIST
DAMES & MOORE, INC.
CAMBRIC CORPORATE CENTER
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TUCSON, ARIZONA 85718
TELEPHONE: (602) 529-1141
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26 OCTOBER 1993

BACKGROUND AND EXPERIENCE

I am a research ecologist who has studied and published on marine bird populations along the Pacific Ocean Coast of North America for the past 25 years. During this period, I have been fortunate to have the opportunity to work directly with Marbled Murrelet populations. In addition, I have been associated with the Marbled Murrelet Technical Committee of the Pacific Seabird Group since the formation of that committee. I have been actively involved with the conservation issues surrounding the Marbled Murrelet and have interacted with Marbled Murrelet researchers. For the past few years, I have worked as a consultant to the wood products industry in the Pacific Northwest, and Southwest as well, advising them of environmental concerns, trying to develop solutions to resource utilization-environmental concerns conflicts.

Please see my attached Curriculum Vitae and Publications list for further details of background and experience.

OVERVIEW

The resolution of conflicts, perceived or real, as relates to the Marbled Murrelet, has been and continues to be particularly challenging and interesting. This is the role that I continue to pursue as a consultant to The Pacific Lumber Company. This role is now focused on the development and writing of a Marbled Murrelet Habitat Conservation Plan (HCP) for The Pacific Lumber Company. The primary goal of the Marbled Murrelet HCP is to develop and implement forestry techniques that, when implemented, retain Marbled Murrelet nesting habitat requirements within treated forest areas and thus the retention of associated nesting Marbled Murrelets. The Marbled Murrelet HCP is a process that utilizes Adaptive Management concepts and processes to learn how to manage commercially viable forests while maintaining Marbled Murrelet populations. Ultimately, this process will lead to silviculture techniques for the creation of "new" Marbled Murrelet nesting habitat. The Marbled Murrelet HCP, and the Adaptive Management process contained within, constantly assimilate all new information into the process, continuously evolving and refining silviculture techniques. Please note that the Adaptive Management process is central to the Recovery Plan for the Northern Spotted Owl (draft, 1992) and the recently released report, Forest Ecosystem Management: An Ecological, Economic, and Social Assessment (1993). Please also note that The Pacific Lumber Company has already implemented elements of the Adaptive Management process relative to nesting Marbled Murrelets on the lands of The Pacific Lumber Company.

TECHNICAL COMMENTS

I have reviewed the written comments of Ms. S. Kim Nelson, presented to the subcommittees, dated 12 October 1993, and notes of the comments of Dr. C. John Ralph, presented to the House Natural Resources Subcommittee on Parks and Insular Affairs, 12 October 1993. There are a few, but important, specific elements of their testimony that deserve comment at this time, and such follow. The testimony of Ms. S. Kim Nelson is well prepared, documented and thought out, and requires a similar response, that I will submit to Congress in the near future.

Population Decline in California

The statement that Marbled Murrelets have declined by 90 to 95 percent in California is often made. However, despite this often-made statement, and belief in its accuracy, the statement is only a hypothesis, and there is no direct evidence that the current Marbled Murrelet population in California is now smaller or larger than in the past. The hypothesis assumes that Marbled Murrelets occupied all former old growth forests in the coastal zone of California, at densities now seen in California forests. In addition, the hypothesis assumes that nearshore marine areas along the coast of California are uniform and equally able to support foraging Marbled Murrelets. Both these assumptions are insupportable. Please note that there are a few locations within the range of the Marbled Murrelet in California where birds are now absent from inland areas formerly "occupied" and marine "foraging" areas, but these are limited (see the comprehensive reviews of Carter and Erickson 1988, 1992). In short, in the northwest coast area of northern California, the area where the lands of The Pacific Lumber Company are located, there is no direct evidence to suggest that the regional Marbled Murrelet population now present is smaller or larger than the past regional population.

I must point out that throughout the listing process in California, and at the federal level, there has been a general lack of attention to the capacity, or lack thereof, of coastal marine waters to support Marbled Murrelet populations. Unfortunately, this lack of attention of the importance of the marine carrying capacity generally continues. Indeed, there are many reasons to expect marine environments to differentially limit Marbled Murrelet populations, as the coastal marine areas are both temporally and spatially dynamic, with some more productive than others, and some more predictable than others.

Inland Nesting Distribution of the Northern California Population

The work by researchers at the Redwood Science Laboratory in Arcata, California, a team lead by Dr. C. John Ralph, has had considerable success of determining the broad at sea distribution and abundance of the Marbled Murrelet in Northern California coastal waters. In addition, they have been actively engaged in forest surveys for Marbled Murrelets throughout the region, and have established, in broad and general terms, the forest distribution of the species in the area, including the identification of areas where Marbled Murrelets are apparently more abundant.

However, the current state of Marbled Murrelet survey technology (Ralph et al. 1993) and knowledge of Marbled Murrelet social behavior at inland forest areas does not allow for the accurate estimation of numbers of Marbled Murrelets at particular forest areas. Indeed, I do not believe that it is possible to determine the proportion of the regional Marbled Murrelet population that is associated with and nests in forest areas on the lands of The Pacific Lumber Company. Dr. Ralph's estimate that 20 percent of the regional Marbled Murrelet population nests on the lands of The Pacific Lumber Company is a hypothesis, and nothing more.

The Pacific Lumber Company is aware that there are nesting Marbled Murrelets on its lands, and the Company has found areas where Marbled Murrelet flight and social activity is focused, and has even found a few Marbled Murrelet nests. This knowledge was gained through an extensive, and expensive, Marbled Murrelet survey program on its lands, conducted according to protocol and often incorporating comments from federal and state agencies. However, even with this database at hand, it is not possible to establish the overall numbers of Marbled Murrelets on the lands of the Company nor to estimate what portion of the regional population nests in Company forest areas.

Of the utmost importance, the goal of the Marbled Murrelet HCP is to maintain Marbled Murrelet habitat, and associated Marbled Murrelet populations, on the lands within treatment areas. Not the total number of Marbled Murrelets present and nesting on the lands of The Pacific Lumber Company, nor the portion of the regional population that represents are significant. Every effort to maintain them with an active and responsible silviculture systems is important and significant. In addition, the implementation of the Adaptive Management Process takes time, and is a progressive process, the speed of which is determined by the success of the Adaptive Management Process cycles.

(Attachment follows:)

Squawfish infest all parts of Eel, river study says

By David Anderson
The Times Standard

RIO DELL — Salmon-eating squawfish now infest all parts of the lower Eel River system, student researchers have discovered.

Students from South Fork, Fortuna Union and Eureka high schools and California Conservation Corps members joined Humboldt State University graduate students and professional biologists recently to track how far the predators have spread since their accidental introduction in 1966.

"We found over 200,000 squawfish, including 6,000 sexually mature females," said graduate student John Clancy, who designed the study. "They were in the Van Duzen, the South Fork and the main stem of the river as far as Fort Seward."

Squawfish, a member of the minnow family that can grow as large as 14 pounds, are voracious predators on all smaller fish, including their own young. Native to the Sacramento River system, they were apparently introduced to the Eel by fishermen using small ones as live bait.

The Eel River, which was once deep, clear and cold, is now mud-

dy, shallow and warm, biologist Patrick Higgins noted. It once supported spawning salmon and steelhead, but has become more suitable habitat for squawfish.

A few surviving salmon still spawn in upper tributaries, but young fish must run a gauntlet of waiting squawfish to reach the sea. Higgins said chinook suffer more than coho because they return to the ocean earlier in their life cycle, when they are smaller.

He said squawfish predation is almost certainly one factor in the reduction of the Eel River fall chinook run from at least 8,000 fish in 1987 to only a few hundred in recent years.

Clancy said about 75 students and other volunteers participated in the Sept. 25 survey, which was intended as a "snapshot" of the squawfish population in the river, rather than a complete census.

The squawfish were not evenly distributed, he said, but tended to concentrate in deep holes.

Data gathered by the student volunteers will be used by scientists trying to devise squawfish control programs. Possible control methods include gill netting and explosives in deep holes.



October 25, 1993

The Honorable Dan Hamburg
U.S. House of Representatives
Washington, DC 20515

Dear Mr. Hamburg:

On behalf of World Wildlife Fund (WWF) and our 1.25 million members nationwide, I am writing in support of H.R. 2866, the Headwaters Forest Act.

During the past decade, WWF has invested a great deal of effort protecting forest ecosystems throughout the world. Here in the United States, our old-growth redwood forest ecosystems have been reduced to five percent of their original acreage, and we strongly advocate protection of the remaining fractions of these truly unique forests. We support the provisions of H.R. 2866 which designate 44,000 acres as an addition to the Six Rivers National Forest. This acreage is vital to the maintenance of intact watersheds in the Humboldt region. Given that most redwood forests have been substantially fragmented, maintaining the integrity of the remaining intact redwood ecosystems needs to become a priority for U.S. forest policy.

The proposed addition of redwood forest to the Six Rivers National forest contains critical intact watersheds for threatened salmonids, the marbled murrelet, and the northern spotted owl. The dire status of these species is a reflection of the health of many of our northern temperate forests, which we need to take strong steps to improve. Old-growth redwood forests also generate millions of dollars for local tourism industries yearly in California; hence these systems are vital to the economic health of the state.

It is clear that the long-term costs outweigh the short-term profits generated by current timber practices in the United States. H.R. 2866 will protect vital redwood forest habitat which we can no longer afford to degrade and dissipate. I congratulate you on this important piece of legislation and look forward to working with you in the future.

Sincerely,

Michael Sutton
Acting Vice President
U.S. Land and Wildlife Program

World Wildlife Fund
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Incorporating The Conservation Foundation. Affiliated with World Wide Fund for Nature.





PACIFIC STATES MARINE FISHERIES COMMISSION

45 S.E. 82ND DRIVE, SUITE 100, GLADSTONE, OREGON 97027-2522
PHONE (503) 650-5400 FAX (503) 650-5426

October 21, 1993

Honorable Dan Hamburg
U.S. House of Representatives
114 CHOB
Washington, DC 20515-0501

Dear Congressman Hamburg:

I am writing on behalf of the Pacific States Marine Fisheries Commission in support of H.R. 2866.

The Commission is a compact of five western states (Washington, Oregon, California, Alaska and Idaho) established by Congress in 1947 to coordinate interjurisdictional fisheries.

The anadromous resources of the Pacific ocean are a national heritage threatened by the continued loss and degradation of their spawning grounds -- the forested watersheds.

We fully recognize the significant value of ancient forests in contributing to the production of salmon and steelhead. We, therefore, applaud H.R. 2866 as the vehicle to protect and manage redwood forests of Humboldt County. Without H.R. 2866 we will surely see further declines in coho salmon, with corresponding negative impacts on sport, tribal and commercial fisheries (and the coastal communities who depend on fishery-related industries and lifestyles).

Thank you for your attention to this critical issue.

Sincerely,

Guy N. Thornburgh
Executive Director

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"To promote the conservation, development and management of Pacific coast fishery resources through coordinated regional research, monitoring and utilization"

Cutting Costs

For Takeover Baron, Redwood Forests Are Just One More Deal

Hurwitz Wants U.S. to Buy
His Trees for \$600 Million
Or He'll Let Chainsaws In

'Houdini of High Finance'

By CHARLES MCCOY

Staff Reporter of THE WALL STREET JOURNAL

It is a proposal that brings new meaning to the term greenmail.

Financier Charles Hurwitz wants the U.S. government to pay him hundreds of millions of dollars for 4,500 acres of the ancient redwoods, in a remote California grove known as the Headwaters Forest. Otherwise, he says, he will press ahead with his plans to cut the trees down.

It's not just a fantasy. This week, a bill was introduced in Congress to buy as much as 44,000 acres from Mr. Hurwitz, including the Headwaters. Although a price hasn't been spelled out and Mr. Hurwitz scoffs at the legislation, his representatives say he wants about \$600 million for the Headwaters tract alone.

Mr. Hurwitz, who controls Northern California's Pacific Lumber Co. through his 31%-owned conglomerate, Maxxam Inc., has become Public Enemy No. 1 to some environmentalists for his stand on Headwaters and for Pacific Lumber's heavy and possibly illegal logging in other parts of California in recent years.

Junk Bonds

Rep. Dan Hamburg, who introduced the bill to buy the forest, acknowledges that it is "distasteful to many people" to give Mr. Hurwitz a taxpayer-funded windfall for the trees. "But the alternative is to lose an environmental treasure," says the California Democrat.

Maxxam is a creature of the 1980s takeover and junk-bond frenzy, and remains heavily indebted. Environmental opposition has slowed Pacific Lumber's logging, and Maxxam's other main business, aluminum, is swooning because of world-wide price cutting. Mr. Hurwitz could use the sale of the Headwaters to make Maxxam financially healthy.

Don't be surprised if he pulls it off. The 53-year-old Houston businessman has gotten into and out of more controversies than almost any other major financial player of the past decade. He is still being sued by investors who claim he committed fraud in the takeover of Pacific Lumber. And he is still negotiating a settlement with the Federal Deposit Insurance Corp. over the collapse of United Savings Association of Texas. Mr. Hurwitz controlled 23% of the parent of United Savings, whose demise may cost taxpayers as much as \$1.6 billion.

More recently, Maxxam shareholders have accused him of cutting himself sweet deals at their expense. On four occasions he has been accused by regulators or investors of looting firms he controlled. Some of the actions are pending; others were settled, with Mr. Hurwitz denying any guilt. He not only survives, but seems close to shoring up his troubled empire.



Charles E. Hurwitz

"This guy is the Houdini of high finance," says Craig Gilmore, head of Gilmore & Co., an investment adviser in Carlsbad, Calif.

Defending His Practices

In a rare interview, Mr. Hurwitz defends Pacific Lumber's environmental record and his other corporate practices, and complains that he has been unfairly branded by radical environmentalists and a hostile press. "I'm as much an environmentalist as anybody in the world," he declares. He denies any wrongdoing in the various lawsuits and regulatory matters in which he has been involved. He argues that there are plenty of old redwoods already protected in parks, and that logging in the Headwaters doesn't pose a significant threat to the species.

As for Rep. Hamburg's bill, Mr. Hurwitz is blunt. "It's ridiculous," he says. While Pacific Lumber is willing to part with the Headwaters, selling off 44,000 acres — nearly a fifth of the company's timberlands — isn't in the cards, he says.

"The law of the land is not to steamroll owners of private property."

Even to many who know him, Mr. Hurwitz seems a perplexing mix. He is a quiet man, an acknowledged master at sniffing out deals, a generous contributor to Houston charities, and almost austere in his personal habits: no limos, no corporate jets, no gaudy displays of wealth.

He seems consumed by his work. When something strikes his fancy and the first stirrings of a possible deal begin to suggest themselves, he often exclaims: "There's a pony in there." Friends say he is so driven to succeed that he can develop a sort of tunnel vision. "He is capable of intense focus, and sometimes he may not foresee how some of his actions will look to the rest of the world," says Walter Fitzgerald, an admirer and former adviser.

Redwoods are proving to be both Mr. Hurwitz's salvation and his biggest headache. He acquired the country's largest

* * * * *

after taking control of United Savings.

The raid became an exemplar of 1980s-style finance: He blitzed a sleepy, undervalued old company, famous for its environmentally conscious logging practices. Suspicions of insider trading abounded, including allegations involving junk-bond king Michael Milken and trader Ivan Boesky. Maxxam bought control for about \$900 million, mostly in junk bonds Mr. Milken floated. In his first meeting with Pacific Lumber employees, he told them: "There's a story about the golden rule. He who has the gold, rules."

Under Mr. Hurwitz, Pacific Lumber began cutting down redwoods at twice the company's historic pace, to pay down debt. Pacific Lumber has been warring with environmentalists ever since. "Pacific

Lumber." says Kathy Bailey, a Sierra Club forestry expert, "is the archenemy."

Rare Bird

The latest battleground is Owl Creek, a few miles southeast of the Headwaters. At 465 acres, Owl Creek is the second largest stand of privately owned ancient redwoods in the U.S., behind only the Headwaters. It is also one of the last known habitats of the marbled murrelet, a rare coastal bird protected under state and federal endangered-species laws.

In June and November of 1992, over weekends and holidays when wildlife regulators weren't working, Pacific Lumber cut down hundreds of redwoods and firs in Owl Creek — despite warnings from regulators that doing so might violate wildlife protection laws, and despite previous agreements that regulators insist committed the company to hold off logging.

Pacific Lumber claims that environmentalists and wildlife agencies are violating its property rights. It cites permits it has received from California's Board of Forestry to log at Owl Creek. "This is an example of government out of control," fumes Thomas Herman, Pacific Lumber's resources manager. Chief Executive and President John Campbell says the company is in the "final stages" of developing a long-term plan for managing the marbled murrelet's habitat to assure that none of its logging ever jeopardizes the bird.

Environmentalists sued Pacific Lumber in San Francisco federal court, and the U.S. Fish & Wildlife Service says it is considering seeking criminal charges. Says James Steele, the top state biologist for Owl Creek: "They basically conducted sneak attacks out there."

Litany of Problems

That kind of charge has haunted Mr.

Hurwitz during his entire career. He has been sued by the Securities and Exchange Commission for alleged stock manipulation in a 1971 case (settled by consent decree while denying any guilt); charged by New York state regulators in 1977 with looting an insurance company (settled by paying \$400,000 while denying any wrongdoing); sued by investors for allegedly committing fraud in the takeover of Pacific Lumber (two suits pending); and sued by the Labor Department for allegedly investing Pacific Lumber's pension fund with Executive Life Insurance Co. in return for junk-bond financing of the takeover (pending). Executive Life later collapsed, imperiling payments to retirees. Pacific Lumber is making up the shortfall while Executive Life is being sold.

Most of the litigation began in the 1920s. In the 1990s, Mr. Hurwitz has kept a much lower profile, but again faces lawsuits, this time for allegedly looting Maxxam at shareholders' expense.

A focus of that action is the desert town of Rancho Mirage, Calif. Locals have battled Mr. Hurwitz for a decade over his efforts to build a complex of luxury homes and a hotel, called Mirada. Lot sales and construction have been slow.

The Mirada property was originally owned by Federated Development Co., a company wholly owned by Mr. Hurwitz and his family. Federated borrowed heavily from Maxxam to fund the project. In 1991, the project's poor performance put Federated on the edge of defaulting on \$34.3 million in loans and interest it owed Maxxam. Maxxam's board, which Mr. Hurwitz chairs, forgave the loans — and paid Federated an additional \$8.6 million for the Mirada project. The bottom line: A company that Mr. Hurwitz owned eliminated its Mirada debt, received an infusion

of new funds and got rid of a floundering project — all at the expense, a lawsuit alleges, of Maxxam's shareholders.

On another occasion, Mr. Hurwitz took advantage of an unusual option deal, funded by Maxxam affiliates, that enabled him to increase his Maxxam holdings by a third. He paid only \$10.40 a share for about a million shares of stock that was then trading at about \$35. Critics complained that he should have shared the stock windfall with other holders. Mr. Hurwitz now has 60% voting control through common and preferred shares.

Both episodes led to shareholder suits, pending in Delaware Chancery Court. "The deals stink," says Lester C. Houtz, an attorney for Dallas tycoon and Maxxam holder Harold Simmons. "At Mirada, Hurwitz just stuck Maxxam's other shareholders with a white elephant that was about to step right on him." Mr. Hurwitz says neither suit has any merit, and predicts that the "world-class" Mirada project will pay off big for Maxxam someday. "I don't self-deal . . . and we'd never do anything to the detriment of Maxxam holders," he says. "I am the biggest one."

Despite the shareholder disputes, Mr. Hurwitz keeps attracting new investors, as displayed in the April refinancing of \$510 million of Pacific Lumber junk bonds. The bonds were costing more than 12% a year, and payments totaling about \$482.3 million were due beginning in 1993. Many Wall Streeters figured that Mr. Hurwitz would have to sell assets to meet payments; some thought it might signal the unraveling of his empire.

Mr. Hurwitz proposed spinning off most of Pacific Lumber's land into a new company and offering \$360 million of bonds of that new entity. The sole source of repayment: Proceeds from selling logs to

Pacific Lumber — at a pace that implies cutting at well above the company's pretakeover levels. He also offered \$200 million of new Pacific Lumber bonds.

Rarely has an exercise in corporate refinancing stirred up so much resistance. For starters, Pacific Lumber's constant warfare with environmentalists and uncertainty over federal timber policy gave many investors pause. The Sierra Club, the Wilderness Society and others denounced the refinancing and appealed to Congress to block it. Rep. Fortney Stark (D., Calif.) introduced legislation to foil the refinancing by slapping a 75% excise tax on redwoods cut to pay bonds.

Mr. Hurwitz scrambled his lobbyists, including former Jimmy Carter aide Stuart Eizenstat, recently nominated by the Clinton administration to be the U.S. representative to the European Community, and former California Congressman Doug Bosco. They lobbied against Rep. Stark's bill; it still hasn't gotten out of committee.

Mr. Hurwitz not only completed his refinancing, saving Maxxam at least \$20 million a year in interest, but increased the offering to a total of \$610 million. And Pacific Lumber paid Maxxam at least \$25 million in special cash dividends.

The deal came at a vital time for Mr. Hurwitz because of recent problems at Maxxam, especially diving aluminum prices. Maxxam stock has slipped to \$30 a share from a high of \$50 in late 1991. Mr. Hurwitz's stake, excluding preferred shares, is worth about \$84 million today. With Maxxam's new breathing room, many in Wall Street think the conglomerate may have a break-up value of \$100 a share if the economy recovers, which would put his equity stake alone at about \$280 million.

Mr. Hurwitz commands remarkable fealty on Wall Street. "Take the refinancing: It makes very little economic sense (to bond buyers) because of all the uncertainty around future logging levels," says Peter Thornton, an analyst with Duff & Phelps. "But it flew because Hurwitz has many believers on Wall Street." Adds Mr. Gilmore, the California adviser: "The guy makes some great deals, say what you will about him."

At a New York lunch last year, Mr. Hurwitz was surrounded by admiring Wall Streeters. According to attendees, Mr. Hurwitz took in the plaudits and observed: "Wait till you see what happens with Pacific Lumber — it's going to be worth a whole lot more than you think . . . a *whole lot*."

He may have been thinking of the Headwaters Forest in California.

High in the mountains above Fortuna, 4,500 acres of giant ancient redwoods and Douglas firs tower above a crystal torrent called Salmon Creek.

For nearly five years, Mr. Hurwitz has been threatening to log in the Headwaters unless he is paid big money. Privately, some of his advisers concede they probably couldn't cut there because of the environmental outcry it would provoke. Yet his lobbyists have been trying to work out a deal with the federal government under which Mr. Hurwitz could get roughly \$600 million for the Headwaters. Maxxam paid \$900 million for all of Pacific Lumber, including its 196,000 acres of prime timberlands, of which Headwaters represents only a small fraction.

At today's high prices for top-grade redwood, some timber specialists figure the trees may indeed be worth \$600 million; others say that figure is grossly inflated.

"It's fallacious to base a price on what Headwaters could command as lumber, since in all likelihood it can never be logged," says John DeWitt, head of Save the Redwoods, which specializes in buying and preserving redwoods. He figures the trees should go for at most \$100 million, based on historic prices for parklands. Mr. DeWitt and other environmentalists, though loath to reward Mr. Hurwitz, argue that not protecting the Headwaters permanently through a buyout leaves it open to the risk that wildlife laws, the political climate or public attitudes might some day change—enabling Mr. Hurwitz to do whatever he wishes in the forest.

Rep. Hamburg's bill, which has 80 co-sponsors, would authorize the gradual purchase of 44,000 acres of Pacific Lumber land, including the Headwaters. Although the legislation doesn't specify how the purchases would be financed, Headwaters, Owl Creek and other remnants of Pacific Lumber old growth would be preserved; the remaining acreage would be managed by the Forest Service.

Mr. Hurwitz says that he recently tramped a short way into the Headwaters, and himself marveled. "Redwoods are beautiful," he observes. "All trees are beautiful." But he still thinks the land should be logged, unless someone buys it up. "These are not the last trees of their kind in the world."



*Natural Resources
Defense Council*

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October 22, 1993

The Honorable Dan Hamburg
U.S. House of Representatives
114 Cannon House Office Building
Washington, D.C. 20515

Dear Representative Hamburg:

I am writing on behalf of the 170,000 members of the Natural Resources Defense Council (NRDC) to express our strong support for the Headwaters Forest Act of 1993, H.R. 2866. We appreciate your leadership in this important legislative effort.

The Headwaters Forest and its associated old growth redwood ecosystem is an unique natural resource worthy of public acquisition. Only by the adequate protection and proper management provided by H.R. 2866 can we be certain that this ecosystem will persist over time and that future generations of Americans will be able to visit and enjoy this priceless treasure. In addition, we support the addition of the Headwaters Forest into the National Wilderness Preservation System as Section Four of your bill provides.

Thank you again for your commitment to sound stewardship and environmental protection demonstrated by the introduction of this important piece of legislation. The NRDC looks forward to working with you to secure passage of H.R. 2866 in this Congress.

Very truly yours,


Sami Yassa
Senior Project Scientist

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